005 A Comparison of Solicitor Client Privilege in the US, Canada, Europe, & Parts of Asia

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Prior to relocating to the Chicago area, Mr. Bailey was vice president, legal and corporate affairs and general counsel for Kraft Canada in Toronto. Before joining Kraft, Mr. Bailey was employed as counsel in the Canadian automotive industry, primarily in product liability litigation. Prior to this he was engaged in private law practice focused on the insolvency and lien areas.

Mr. Bailey is a director of the ACC and is a past director of the Canadian Corporate Counsel Association, Corporations Supporting Recycling, and of The National Club. He is also past co-chair of the corporate counsel committee of the International Bar Association.

He graduated with a B.A. and L.L.B. from the University of Western Ontario.

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Prior to assuming his current position he was legal counsel at Philips Electronics, senior legal counsel at Dutch Chemicals Company DSM, and senior legal counsel at Akzo.

Mr. Eijsbouts is a member of ACC. He has been co-chair of the corporate counsel forum (CCF), legal practice division International Bar Association (IBA). He currently serves as CCF liaison officer on the council of the legal practice division IBA. Mr. Eijsbouts' other positions include membership of the Dutch Association of Company Lawyers, of the Legal Committee of the American Chamber of Commerce in the Netherlands (past chair), of the European advisory committee of CPR (New York) and of the committee on company structure of the Dutch Confederation of Industry. He is vice-chair of the board of the Shareholder Communication Channel Foundation and member of the executive board of ACB Conflict Management for Business. He is an accredited mediator of the Netherlands Mediation Institute, The Dutch Institute for Conflict Management in Business ACB and CEDR (London), and a member of the International Panel of Distinguished Neutrals of CPR (New York).

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Patti Phelan is currently legal counsel to NDI (Northern Digital), located in Toronto, in a contract position. NDI is a world-leader in the development and sale of sophisticated measurement systems, including optical tracking and magnetic tracking instrumentation. Working with NDI offices located in North America, Europe, and Asia, which supply product to the medical, research, and industrial markets, Ms. Phelan's responsibilities encompass a wide variety of matters relating to commercial contracts, trademarks, information technology (IT), employment, international business, and the operation of foreign offices.

Before moving in-house Ms. Phelan worked for many years in private practice (most recently with Smith Lyons, now Gowlings).

Ms. Phelan is active within ACC. As the first chair of ACC's New To In-House Committee she has lead the group in developing goals and procedures, arranging for speakers at its monthly conference calls, and increasing membership. Ms. Phelan has contributed to ACC's resources relating to disaster planning and recovery, most notably in an InfoPAK, a practices profile, webcasts, and a 2006 Annual Conference program. She has written numerous articles which have been published in the ACC Docket.

Ms. Phelan received a bachelor's from York University (Toronto, Canada) and a bachelor's from the University of Western Ontario. She is a graduate of the Law School at the University of Western Ontario, in London, Canada.

Thomas E. Spahn

Thomas E. Spahn practices as a commercial litigator with McGuireWoods in its McLean, Virginia office. Mr. Spahn regularly advises a number of Fortune 500 companies on issues involving ethics, conflicts of interest, the attorney-client privilege, and corporate investigations.

Mr. Spahn has written books on the attorney client privilege, ethics, and defamation, several book chapters, and over 30 articles in Virginia and national publications. The ABA's general practice section selected Mr. Spahn's article on litigation ethics in the Modern Age as one of the "best articles published by the ABA." Mr. Spahn has spoken at over 600 continuing legal education programs throughout the United States, and in several foreign countries. Mr. Spahn has served on the ABA standing committee on ethics and professional responsibility. He currently serves on the Virginia Bar's legal ethics committee, and as chairman of the Virginia judicial ethics advisory committee. Mr. Spahn has received the Virginia Law Foundation's highest award for continuing legal education efforts; a special commendation from the Virginia State Bar "in recognition of his outstanding service to the bar;" the Virginia Bar Association's Walker Award of Merit; and an award from the Burton Foundation for effective legal writing. Mr. Spahn is included in: The Best Lawyers in America; Virginia Business magazine's list of Virginia's "legal elite"; Law & Politics' list of "super lawyers." Mr. Spahn is a fellow of both the Virginia Law Foundation and the ABA.

Mr. Spahn graduated magna cum laude from Yale University and received his J.D. from Yale Law School.

W. Joseph Thesing, Jr.

W. Joseph Thesing, Jr. is the general counsel, USA & International for Merial Limited, a joint venture of Merck & Co. and sanofi-aventis, in Duluth, Georgia. A world leader in the manufacture and sale of pharmaceuticals and vaccines for animal health care, Merial achieved sales of almost $2 billion in 2005. Mr. Thesing leads a team of five attorneys who provide legal counsel to business operations and all functional departments at Merial's headquarters. His practice includes mergers and acquisitions, international transactions, corporate governance, intellectual property licensing, financing, antitrust, and employment law.

Prior to joining Merial, Mr. Thesing was of counsel to the firm of Paul Hastings LLC in Los Angeles. He previously was in-house counsel with The Coca-Cola Company, where he served as general counsel for the company's sixth largest operating division based in Manila, Philippines. A Chicago native, Mr. Thesing practiced there for several years with Jenner & Block and later with Schiff, Hardin & Waite. He began his legal career as a law clerk to The Honorable Robert L. Miller, Jr. of the United States District Court in South Bend, Indiana.

He has served in the past as vice president of ACC's Georgia Chapter and participated in the chapter's program committee for several years. Currently, he provides pro bono legal services to the Atlanta chapter of Childhelp, the largest and oldest non-profit organization committed to the prevention and treatment of child abuse.

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The Canadian Common Law of Privilege: A Road Map for American Corporate Counsel[1]

By Joel Richler,[2] Allison Thornton,[3] Richard Bailey[4] and Patti Phelan[5]
for the Association of Corporate Counsel Annual Conference 2006

Why does this Subject Matter to U.S.-based Corporate Counsel?

At one time, for corporate counsel in America, the intricacies of foreign laws and court procedures would have been a mere curiosity. Should an issue of foreign law have arisen, an attorney working in-house for an American corporation would have wisely considered this a matter properly to be referred to practitioners for those who are called to the Bar of the jurisdiction in question, and would have simply have sought a referral to a leading firm and practitioner. Other than on an isolated basis or as an academic interest, corporate counsel in the United States could generally safely get by without much if any familiarity with the laws of Canada or elsewhere.

Now, in an age of multi-jurisdictional transactions and international litigation, there are subjects on which a corporation's position in foreign litigation can be compromised even before counsel become aware that there is a live dispute. Legal privilege is very much one of those subjects. While consulting a Canadian law firm for advice when issues do arise is always a necessary and prudent step, what you expected to be treated as privileged communications can be compromised long before you are aware that your corporation may become embroiled in Canadian litigation. As such, as an in-house lawyer with a company that does business in Canada, you are well served to have a working knowledge of how Canadian courts approach privilege, and to keep privilege in mind as you create and circulate documents within your organization, as you consult advisers (legal and otherwise) and as you investigate matters which appear destined for the courts. Being mindful of privilege can save your company the embarrassment and the distinct strategic disadvantage of having your internal discussions of sensitive matters deemed producible to a future adversary. And knowing its limits can protect you from speaking too freely and against your company's best interests in situations where privilege is unlikely to be recognized.

Accordingly, building on our practical experience as Canadian litigation lawyers and in-house lawyers licensed to practice law in Canada, we have set out in this paper to outline the basic principles and underpinnings of the Canadian law of privilege and to provide practical tips for your day-to-day practice. Our aim is to arm you with an understanding

[1] For these presentation materials, the authors have directed their comments most particularly at an American corporate counsel audience, those being the majority of attendees at the ACC conference. These concepts and practice points will be useful as a refresher for Canadian in-house lawyers as well.
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that will help you avoid some of the common pitfalls which compromise privilege claims. As well, we will identify topical areas where Canadian law is in flux, to help you to be on guard against problems and to leave you with reasonable expectations as to how far you can expect privilege to protect communications within your corporations and with outside parties.

What is Privilege and What Does it Protect?

Privilege gives the person to whom it belongs the right to preserve the confidentiality of certain communications and records, and to prevent them from being disclosed to an adversary or to the court in legal proceedings even where they are relevant to the matters in issue. Only the "owner" of the privilege can waive privilege, although as we will discuss later in this paper, the duration of privilege will depend on what particular type of privilege is at issue.

While there are live debates as to classification and as to whether there are separate privileges or "multiple branches" of a single privilege, there are essentially four forms of privilege recognized in Canada:

(1) Solicitor-client privilege: the client's privilege over communications with legal advisers;

(2) Litigation privilege: privilege over communications made for the dominant purpose of preparing for actual or anticipated litigation;

(3) Settlement privilege: privilege over communications made on a without-prejudice basis in a *bona fide* effort to settle a pending dispute (whether or not a claim has been issued); and,

(4) Case-by-case privilege: other communications which are deemed privileged in an individual case through the court's assessment of the particular characteristics of the communications and the relationship in which they arise (Wigmore privilege).

Of these categories, the first two have given rise to the most judicial consideration and are the forms of privilege on which this paper will primarily focus.

Putting Privilege in Context: the Civil Discovery Process

Before we describe these forms of privilege, however, a bit of context is useful, as you may find that the way that Canadian common-law jurisdictions[6] approach pre-trial discovery differs in some significant respects from what you are familiar with in the United States.

General Principles

Pre-trial disclosure obligations in most Canadian common law jurisdictions are quite extensive. The courts and rules of procedure do not endorse "trial-by-ambush", but impose on the parties a substantial positive duty to provide the other side with documents and information that touches on any of the matters in issue in the case. Recognizing that privilege is an exception to a general rule of broad pre-trial disclosure helps to explain some of the areas where Canadian privilege jurisprudence is in a state of flux.

Documentary Production: Affidavits of documents/records

It is a standard requirement in many common law jurisdictions in Canada that, once pleadings have been delivered, each party to the lawsuit is automatically required to deliver what is termed in some jurisdictions an "affidavit of documents"[7] and in others an "affidavit of records"[8]. Others require "lists"[9] or "statements"[10] as to documents. While there is slight variation between jurisdictions in the precise form of this affidavit or list, what is typically involved is a statement (usually sworn) by an individual litigant, or by a representative of a corporate litigant, which lists in an orderly way in separate schedules all of the relevant documents which are or have been in the "power, possession or control" of the party. The definition of "document" or "record" is very broad, generally encompassing electronic documents such as e-mail, sound and video recordings, and other electronic documents including their associated meta-data.[11] The individual who swears the affidavit on behalf of a corporation, moreover, must attest to having made diligent inquiries of others to determine that the listing is complete to his or her knowledge, information and belief. In some jurisdictions**,** the party's lawyer is also required to certify that the affiant has received an explanation about the scope of his or her obligation to provide a complete listing of relevant documents.[12] Some jurisdictions also require lists of documents held by non-parties and/or the non-parties who are thought to have relevant documents.[13] After the affidavit or list has been delivered, parties have an ongoing obligation to list any subsequently acquired or discovered documents.

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[6] While each jurisdiction has its own rules of procedure, the law of provinces and territories other than the province of Quebec is based on the common law system and is substantively similar from province to province. This paper does not deal with the special case of Quebec, which operates on a civil code and in which substantive law and practice differs somewhat from other parts of Canada.

[7] *Federal Courts Rules*, R. 223(1), *Court of Queen's Bench Rules* (Manitoba), R. 30.03, *Rules of Civil Procedure* (Ontario), R. 30.03, *Rules of Court of New Brunswick*, R. 31.03, *Rules of Civil Procedure* (P.E.I.), R. 30.03.

[8] *Rules of Court* (Alberta), R. 187(1).

[9] *Rules of the Supreme Court* (Newfoundland and Labrador), R. 32.01; a formal affidavit may be required by the court pursuant to R. 32.03.

[10] *Queen's Bench Rules* (Saskatchewan), R. 212.

[11] See e.g. Ontario R. 30.01(1)(a), Saskatchewan R. 211, Federal Courts R. 222(1).

[12] This is the case in Ontario, in the Federal Court, and in Saskatchewan, Manitoba, New Brunswick and P.E.I.

[13] *Federal Courts Rules*, R. 223(2)(a)(iv), *Rules of Court of New Brunswick*, R. 31.03(4)(d).

Most of these jurisdictions require a full listing of documents *including privileged ones* to be listed in separate schedules with prescribed information to permit individual documents to be separately identified. A common practice has developed that a full listing is provided of the schedule(s) listing non-privileged documents only and that the schedule for documents over which privilege is asserted will simply list the categories of privilege being claimed. Nevertheless, any party may insist at any stage on a full listing of the documents over which the other party is claiming privilege (with the typical *quid pro quo* that such a party will have produced its own itemized list).

The mandatory process of listing and classification of documents introduces privilege as an issue early in the proceedings, and as such, many of the battles fought in Canadian civil proceedings over privilege issues arise long before trial. As a practical matter, the early self-initiated disclosure obligations of many Canadian jurisdictions mean that you as corporate counsel may well find yourself spending many hours answering questions as to the nature and origin of documents with your Canadian counsel early in a lawsuit, and focusing on the types of privilege questions discussed later in this paper.

Examination for discovery

Unlike the system of multiple depositions in the United States, it is notable that several Canadian common law jurisdictions limit oral discovery without leave of the court to parties or to a single representative of a party that is a corporation.[14] Discovery of more than one representative of an opposing party and/or discovery of a non-party to the action requires leave of the court, which is granted sparingly. The answers given by a corporation's representative (often the same individual as was the affiant for the affidavit of documents or affidavit or records) are considered the corporation's answers. As such, in a single representative discovery, the representative need not only answer questions on what he or she personally knows, but will also be expected to provide "knowledge, information and belief" gathered from others within the company on any relevant subject matter. As such, the corporate representative will need to go through fairly in-depth preparation through speaking with others and reviewing the documents listed in the company's affidavit in advance of the discovery. As to any relevant question that he or she is still not able to answer at the time of the discovery, or which call for documents to be produced, the representative (through counsel) will also typically provide "undertakings" which are enforceable promises to provide answers in writing after the oral discovery is completed. Ontario has now imposed a time limit, which precludes reference at trial to any document or information referred to in an undertaking that has not been answered by the prescribed time and which consequently "ups the ante" on efficient and effective communications between the corporation and its counsel before and immediately after discoveries.[15]

As an in-house lawyer practicing in an American corporation, it is rare that you would be called personally to testify in Canadian civil proceedings and rarer still that you would be the corporation's representative to give evidence in advance of a civil trial. As such, some of the issues of waiver of privilege which can arise in the United States when corporate counsel are deposed are simply not relevant north of the border for this reason. On the other hand, you may well need to be involved in educating litigation counsel and the corporation's representative about the nature and origin of certain records and communications in which the representative may not have directly participated, to ensure that privileged communications are not inadvertently disclosed by the corporation's representative.

THE PRIVILEGES RECOGNIZED BY CANADIAN LAW

Solicitor-Client Privilege

The most sacrosanct and jealously-guarded form of legal privilege recognized in Canadian jurisprudence is the privilege over solicitor-client communications. Solicitor-client privilege in Canada has been recognized as a substantive legal right – that is to say that it is not a mere rule of evidence but a right which extends beyond the mere non-compellability of evidence.[16] It is a categorical privilege, which is not subject to balancing of interests in the individual case. Other than waiver by the owner of the privilege, there are very few exceptions that Canadian courts recognize to the absolute nature of this privilege, even in criminal proceedings where the Crown (prosecution) is subject to sweeping disclosure obligations,[17] and where third party confidential medical records may also be compelled.[18] In more than one case, as will be discussed in more detail in our section on exceptions to privilege, below, the Supreme Court of Canada has remarked that the reasons to displace a valid claim of solicitor-client privilege must approach "absolute necessity" before the court will order such a communication disclosed. A failure to respect solicitor-client communications in criminal and civil investigations has led to quashing of search warrants and to the removal of law firms from significant retainers.[19] Solicitor-client privilege has also been recognized by the Supreme Court of Canada as "a fundamental right"[20] with constitutional dimensions, and searches which have failed to afford due protection to this privilege have been quashed.

[14] This is the case in Ontario, in the Federal Court, British Columbia, Manitoba, Saskatchewan, New Brunswick, and Prince Edward Island. In Alberta there can be multiple employees or former employees of a corporation examined unless the court places limitations on the number to be examined, but the opposite party may also require that the corporation nominate a representative whose answers will bind the corporation. The rules of court for Nova Scotia and Newfoundland and Labrador do not place limits on the number of persons who may be examined or pose leave restrictions on examining non-parties.

[15] Ontario Rule 31.07.
[16] *R. v. Solosky*, [1980] 1 S.C.R. 263 at 289; *Déscoteaux v. Mierzwinski*, [1982] 1 S.C.R. 860 at 875; *Smith v. Jones*, [1999] 1 S.C.R. 455 at paragraphs 48, 49.
[17] *R. v. Stinchcombe*, [1991] 3 S.C.R. 326.
[18] *Criminal Code*, R.S.C. 1985, c. C-46, ss. 278.1 to 278.91, as enacted following the Supreme Court of Canada's decision in *R. v. O'Connor*, [1995] 4 S.C.R.411.
[19] E.g. *Celanese Canada Inc. v. Murray Demolition Corp.*, 2006 SCC 36 (Breach of solicitor-client privilege in carrying out of *Anton Piller* order led to plaintiffs' solicitors being removed as solicitors of record.).
[20] *Déscoteaux v. Mierzwinski*, [1982] 1 S.C.R. 860.

As a corollary to the vigor with which the integrity of solicitor-client privilege is guarded by Canadian courts, as will be seen from the discussion below, Canadian courts have also been fairly circumspect about expanding the application of this privilege outside of its traditional parameters of the giving and the receiving of legal advice directly between a solicitor and a client.

The Test for Solicitor-Client Privilege and What it Protects

For a communication to attract solicitor-client privilege, as was enunciated by the Supreme Court of Canada in *R. v. Solosky*, and which has been consistently followed since, the following preconditions must be met:

(a) the communication must be between solicitor and client;
(b) which entails the seeking or giving of legal advice; and,
(c) which is intended to be confidential between the parties[21]

A classic Canadian statement of the scope and purpose of solicitor-client privilege and its purpose was made in 1969 by the Exchequer Court in *Susan Hosiery Ltd. v. Minister of National Revenue*:

> if a member of the public is to receive the full benefit of legal assistance that law contemplates that he should, he and his legal adviser must be able to communicate quite freely without the inhibiting influence that would exist if what they said could be used against him so that bits and pieces of their communications could be taken out of context and used unfairly to his detriment unless their communications were at all times framed so as not only to convey their thoughts to each other but also so as not to be capable of being misconstrued by others. The reason for the rule, and the rule itself, extends to communications for the purpose of getting legal advice, to incidental materials that would tend to reveal such communications, and to the legal advice itself. It is immaterial whether they are verbal or in writing.[22]

This statement of purpose has been has been framed in a number of different ways in subsequent cases, but with the same effect.

The What, Who, and When of Solicitor-Client Privilege

What is clear from *Susan Hosiery*, and an important distinction to bear in mind, is that solicitor-client privilege as it is recognized in Canada protects *communications* and the *solicitor-client relationship* and not necessarily all of the *information* imparted to the solicitor. So, to provide a concrete example, a letter from a client setting out facts to a lawyer and soliciting his or her advice on them is privileged and need not be produced.

[21] [1980] 1 S.C.R. 821 at 834.
[22] [1969] Ex. C. R. 27 at paragraph 9.

Indeed, the fact that the client asked the lawyer to advise on that subject is privileged. However, on examination for discovery a party does not have immunity from discussing the facts and events which led the company to seek advice simply because that information was summarized in a letter or memorandum to a lawyer. Rather, while the letter or memorandum can be withheld, questions about the facts it contains will be fair game and the answers compellable on discovery or at trial. In this respect, and as Canadian courts have expressly noted, the law of Canada is consistent with the decision of the Supreme Court of the United States in *Upjohn Co. v. United States*.[23]

(1) *The Particular Case of Advice Solicited from and Given by In-House Counsel*

Canadian courts have clearly recognized that privilege attaches to advice provided within a corporation from its in-house counsel just as it attaches to advice obtained from an outside legal adviser. The fact that the in-house counsel answers to a single client and collects a salary rather than a fee for his or her services does not influence the question of privilege. Indeed, some recent jurisprudence reaffirming the near-absolute character of solicitor-client privilege has been pronounced in cases where the lawyer was working at an in-house position for a government entity.[24]

Where privilege in respect of communications to and from in-house lawyers are vulnerable, however, comes through Canadian courts' recognition that lawyers who are employees of a company also often discharge non-legal functions within their employer company. Courts are perfectly willing to guard privilege when legal advice is authored by a lawyer in a company's employ, but every letter and memorandum will not be immune from disclosure simply because its author is a lawyer. As the Chief Justice of the Supreme Court of British Columbia stated in 1930 in *Canary v. Vested Estates*,[25] and as the Ontario Divisional Court more recently affirmed in *Ontario Securities Commission and Greymac Credit Corp. (Re)*,[26] "the fact that a person is by profession a solicitor and is entrusted with and performs duties which can and usually are performed by an official, servant or agent of a company does not render him immune from examination on discovery if he performs those duties."[27] This general rule applies no less than to lawyers in private practice as much as to lawyers who are a corporation's employees, but in the case of lawyers in private practice it is more readily presumed that communications with their clients are integral to providing legal advice. By contrast, given the multiple roles in-house counsel play within an organization, however, a presumption that all communications with internal clients are in the nature of providing legal advice will not be made. Accordingly, a threshold question that will frequently arise when communications from in-house counsel are considered on a motion is whether the communications at issue truly entail the lawyer providing *legal* advice rather than

[23] (1981), 449 U.S. 383, as noted by the Alberta Court of Queen's Bench in *R. v. Trang*, [2002] A.J. No. 680 (QL).
[24] *Goodis v. Ontario (Ministry of Correctional Services)*, [2006] S.C.J. No. 31 (QL).
[25] [1930] 1 W.W.R. 996 (B.C.S.C.).
[26] (1983), 41 O.R. (2d) 328 (Div. Ct.).
[27] *Id.* at 339, citing *Canary*, *supra* at 998.

business advice or general statements of corporate policy. In-house counsel must be clearly identified as acting in their legal advisory role for communications to and from in-house counsel to be privileged.

The Ontario decision in *Toronto-Dominion Bank v. Leigh Instruments Ltd. (Trustee of)*[28] provides a good illustration of the care that must be exercised when in-house counsel are the authors of letters and memoranda that one might expect constitute privileged communications.

An issue in that litigation was that legal status of "comfort letters" received by the Bank from its client. The plaintiff sought production of two memoranda from the defendant Bank, both authored by the Bank's Vice-President and General Counsel. In the first of these memoranda, the document had been titled "Head Office Circular" and widely disseminated within the Bank to all of its branches, including internationally. The author was identified in the memorandum by his full title, Vice President and General Counsel.

The court concluded in respect of this first memorandum that a claim to privilege could not be maintained, concluding that the indicia suggested that the document was not really legal advice, but had been written and received as a statement of the Bank's policy coming from (as the title suggested) the Bank's "executive team". By contrast, the second of the two memoranda, which received narrower circulation, was interpreted as legal advice and did attract privilege (which the Court later concluded the corporation had waived, as discussed below).

As well as the importance of identifying the author as a lawyer and the document as legal advice, the example from *Leigh Instruments* sounds as a caution against an overly-broad dissemination of advice within a corporation. "Advice" generally has a fairly prescribed audience – that which is very broadly disseminated may be more likely classified as "policy". As well, and keeping in mind the basic test for solicitor-client privilege, it is important that it is clear that the communications are seen and received as confidential. Although such a label is not a guarantee that future assertions of privilege will be sustained in court, it is also good practice to mark documents on which the company's solicitors are being asked for or are delivering advice to be marked "Privileged and Confidential: Solicitor-Client Communications" or a similar label, and to physically segregate a general counsel's "legal files" from other business documents. Although the court will continue to take a functional approach, it is always the better practice to make sure that legal advice is labeled as such. There have been cases where documents described as "policy manuals" have been held to constitute solicitor-client privileged material despite their label,[29] but obviously it is much easier to defend one's position when the form is consistent with the substance.

(2) *Who is A Lawyer for Purposes of the Solicitor-Client Privilege?*

[28] (1997), 32 O.R. (3d) 575 (Gen. Div.).
[29] *Ontario (Ministry of Consumer and Commercial Services) v. Ontario (Information and Privacy Commissioner)* (2004), 70 O.R. (3d) 680 (Div. Ct.)(training materials used by Family Responsibility Office for training panel lawyers were privileged documents).

Of particular note for corporate counsel who work in global business enterprises, recent Canadian jurisprudence has clarified that it also does not necessarily matter if a lawyer is licensed to practice in the jurisdiction where advice is received, so long as the adviser is in fact a lawyer and is consulted in that capacity.[30] So, in *Gower v. Tolko Manitoba Inc.*,[31] the Manitoba Court of Appeal was prepared to recognize solicitor-client privilege attaching to a report where a lawyer from British Columbia noted for her human rights expertise was retained to investigate and advise on a matter involving allegations of sexual harassment. While the lawyer was not licensed to practice in Manitoba, Steel J.A. held that substance should prevail over technicality and that:

> [a]lthough the Canadian law in this area was at first rather restrictive in finding that the solicitor must be duly qualified to practice law in the jurisdiction, the more recent jurisprudence and the better in my opinion, acknowledges the globalization of business and legal advice…[32]

This is obviously a point of note for corporate counsel inasmuch as it may be necessary, from time to time and subject to the appropriate caveats, to provide legal advice within the organization, which advice will cross international borders.

(3) *The Recipient of Legal Advice: How Broadly is "Client" Defined?*

Canadian cases have not turned on *to whom* advice is provided within the client corporation for privilege to attach. It is accepted that communication from a lawyer, the purpose of which is to advise on legal matters, does not need to be addressed to the corporation's CEO or an officer of a corporation to be privileged. *Bona fide* legal advice being sought or provided to lower-level managers or employees can also be protected as privileged, and discussion of the advice and its implications among employees within the corporation will also be privileged. It is important to note, however, that an expansive view of who is "on the inside" of the corporation will not always prevail in court. So, for example, while the dissemination of advice to true subsidiaries and within departments of government will not necessarily compromise privilege,[33] in *Copstone Holdings Ltd. v. Canada*,[34] the Tax Court of Canada was not satisfied that the mere fact that one shareholder effectively controlled all of the companies was sufficient to extend the umbrella of privilege. In *Copstone*, Rip T.C.J. held that "[t]he appellant has failed to satisfy me that the companies were sufficiently intertwined as to warrant overriding the

[30] Note, however, that where the person is not a practising lawyer at all, the advice may not attract solicitor-client privilege: see *Husky Oil Operations Ltd. v. MacKimmie Matthews* [1999] A.J. No. 604 (Q.B.)(QL) in which the Alberta Court of Queen's Bench held that an opinion prepared by a non-practising lawyer could not reasonably have been received as legal advice given the context.
[31] (2000), 196 D.L.R. (4th) 716 (Man. C.A.).
[32] *Id.* at paragraph 21.
[33] *Halifax Shipyard Ltd. v. Canada (Minister of Public Works and Government Services)*, (1987), 10 F.T.R. 225 at 237; *Mutual Life Assurance Co. of Canada v. Canada (Deputy Attorney General)* (1988), 28 C.P.C. (2d) 101 (Ont. H.C.).
[34] [2005] T.C.J. No. 345 (QL).

fact that they were separate legal entities".[35] By contrast, in the case of a wholly-owned subsidiary under common management with the client corporation, the courts have suggested that it would "seriously erode" the concept of privilege to treat the subsidiary as a separate legal entity for privilege purposes.[36]

Solicitor-client privilege "owned" by a corporation passes to a successor in title to the corporation, and can be asserted and maintained by the subsequent owner.[37]

The Scope of Solicitor-Client Privilege: The Continuum of Communications

It has been stated in several Canadian cases that all communications that legitimately form part of the "continuum of communications" between lawyer and client for the purpose of soliciting and delivering legal advice come within the scope of the solicitor-client privilege. As the seminal case of *Susan Hosiery* indicates in the description of the privilege and its purpose, it is not strictly necessary that each and every document for which privilege is claimed should actually contain actual legal advice or a request for it in order for privilege to attach. As Steel J.A. of the Manitoba Court of Appeal noted in *Gower*:

> legal advice is not confined to telling the client the state of the law. It must, as a necessity, include ascertaining or investigating the facts upon which the advice will be rendered. Courts have consistently recognized that investigation may be an important part of a lawyer's legal services to a client so long as they are connected to the provision of those legal services.[38]

Thus, for example, when a lawyer conducts an investigation for the purpose of advising on a situation that has arisen, his or her notes of any interviews, and the lawyer's copies and annotations on documents will attract privilege even though there may have been no giving or receiving of legal advice involved in the interview process. Likewise, drafts of documents that have been prepared by the client with the view that they should be vetted by a lawyer before they are made public may also attract privilege, notwithstanding that there is no direct request for legal advice on the face of the draft. The rationale, as the Alberta Court of Queen's Bench noted in *R. v. Trang*[39] (draft affidavits) and the Ontario Superior Court in *Cusson v. Quan,*[40] (drafts reviewed for libel advice) is that one cannot do indirectly what one could not do directly. The courts were not prepared to order disclosure of a draft where it was clear that the moving party's purpose was to compare the draft to the legally vetted public version in order to deduce what the lawyer must have advised.

A point where the law is unsettled, and on which litigation has been frequent, is how far the "continuum of communications" extends and whether, in particular, third parties can be part of the continuum without compromising the privilege. The answer with respect to third parties is, as Canadian jurisprudence currently stands, "sometimes".

A leading case on this subject is the frequently-cited decision of the Ontario Court of Appeal in *General Accident Assurance Company v. Chrusz,*[41] where the third party at issue was an independent insurance adjuster retained by an insurance company to investigate a claim in respect of a hotel fire. The Court of Appeal recognized in *obiter* that where a third party functioned as a conduit between the client and the solicitor for the purpose of obtaining legal advice, the "continuum of communications" between solicitor and client would not necessarily be broken by virtue of the third party's involvement in those communications. An easy example would be a translator – though the third party might be a conduit in "translating" other than between languages. Other non-controversial examples are communications relayed through the lawyer's staff, such as a legal secretary or law clerk. Communications passing directly between lawyers in different jurisdictions working for the same client on inter-related legal advice have been held subject to the solicitor-client privilege.[42] For the privilege to attach to third party communications, however, the third party must (like the legal secretary or translator) be integral to the solicitor-client relationship, not a person merely acting as an information source for the lawyer, or having been retained by the lawyer to perform some analysis useful to the client. The court in *Chrusz* was not prepared to conclude that the insurance adjuster was integral to the solicitor-client relationship; his role was to perform an assessment and to provide his independent and honest report to the client. That he might have reported his findings to the client's lawyer did not change the nature of that role.

The intriguing idea of third parties as agents and conduits integral to the solicitor-client relationship has been a concept that litigants have tried to expand upon in several subsequent cases, but more often than not with the result that privilege is not found to cover the third party communications. Although critics of *Chrusz* raised the prospect that the concept of agency raised in the case was likely to lead to "an undue expansion of solicitor-client privilege" by "manipulating the definition of agents",[43] it would appear that the courts are taking a very conservative approach to agency. For example, while the British Columbia Court of Appeal in *College of Physicians of British Columbia v. British Columbia (Information and Privacy Commissioner)*[44] found the Ontario decision in *Chrusz* persuasive in its analysis of the concept of agency and the solicitor-client relationship, the Court was not prepared to extend privilege to medical experts that had

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[35] *Id.* at paragraph 5.
[36] *Mutual Life Assurance Co. of Canada v. Canada (Deputy Attorney General)* (1988), 28 C.P.C. (2d) 101 (Ont. H.C.) at 103.
[37] *UPM-Kymmene Corp. v. Repap Enterprises Inc.*, [2001] O.J. No. 4220 (S.C. J.)(QL) at paragraph 10, citing the British decision in *Crescent Farm Sports Ltd. v. Sterling Offices Ltd.*, [1972] 3 All E.R. 1192 at 1198.
[38] (1996), 196 D.L.R. (4th) 716 at paragraph 19.
[39] [2002] A.J. No. 680 (QL).
[40] (2005), 10 C.P.C. (6th) 308 (Master).
[41] (1999), 45 O.R. (3d) 321 (C.A.).
[42] *Copstone Holdings Ltd. v. Canada*, [2005] T.C.J. No. 345 (QL).
[43] Garry D. Watson and Frank Au, "Solicitor-Client Privilege and Litigation Privilege in Civil Litigation", (1998), 77 The Canadian Bar Review 315 at 350.
[44] [2002] B.C.J. No. 2779 (C.A.)(QL), application leave to appeal to the Supreme Court of Canada dismissed: [2003] S.C.C.A. No. 83(QL).

been retained to assist counsel for the College to investigate allegations of misconduct. In particular, the Court was not persuaded, as lawyers for the College had argued, that the medical experts were necessary to "translate" the medical information in order for the lawyers to be in a position to advise. While concurring with the appellant's submissions that the experts' analysis was inarguably useful, even essential, to the legal problem confronting the College, Levine J.A. nevertheless concluded that: "the experts never stood in the place of the College for the purpose of obtaining legal advice".[45] As such, the medical experts were not agents and their services were incidental and not sufficiently "integral to the solicitor-client relationship" for the privilege over solicitor-client communications to extend to them.

The courts' reluctance – despite recognizing the possibility in *Chrusz* – to extend solicitor-client privilege to true third parties has some practical implications. For example, in *Hydro-One Network Services Inc. v. Ontario (Ministry of Labour)*,[46] where in-house counsel ordered that employees of the company should investigate a situation and report back the results in order that an opinion could be provided on the legal implications, the interviews which were held and the notes that were taken were held to come within the scope of privileged communications. Where, however, in a similar vein, a third party consultant was retained by the Regional Solicitor to perform an investigation of allegations of fraud or conflict of interest, the Ontario Divisional Court in *Prosperine v. Ottawa-Carleton (Regional Municipality)* affirmed the motions judge's decision that solicitor-client privilege did not extend to the consultants' report to the solicitor.[47] The clear practical message which emerges from the contrast in these situations is that as much as possible, where a situation is particularly sensitive, the fact-finding which will form the company's legal opinions should be carried out either by the lawyer directly, or at the very least "in house". Except in a situation where litigation is underway or imminent, and where the "dominant purpose test" for litigation privilege (discussed below) would likely be met, involving third parties in the circle of advice presents a distinct risk of "breaking the continuum" and thereby compromising privilege.

Exceptions to Solicitor-Client Privilege

Apart from a deliberate or necessarily-inferred waiver by the client (which will be addressed in the general discussion of waiver, below), there are only a few narrow exceptions which Canadian courts recognize to the inviolability of solicitor-client privilege:

(1) Where the communications are made in furtherance of a criminal purpose;
(2) Where disclosure is absolutely necessary to prevent a miscarriage of justice: "innocence at stake"; or,
(3) Where disclosure is necessary to safeguard public safety.

[45] *Id.* at paragraph 51.
[46] [2002] O.J. No. 4370 (S.C.)(QL).
[47] [2003] O.J. No. 1414 (Div. Ct.)(QL), aff'g [2002] O.J. No. 3316 (S.C. J.)(QL).

(1) *Communications for a Criminal Purpose*

For communications between a solicitor and client to fall within this exception, the communications must be criminal in and of themselves, or must seek legal advice to further a criminal purpose. It does not matter if the lawyer is himself or herself receiving the communication in good faith, as an unwitting "dupe" of an unscrupulous client, or as a willing participant. It is perhaps noteworthy, however, that there is a corresponding carve-out to the lawyer's ethical obligation of confidentiality when it comes to communications of a criminal nature. In fact, this exception to the ethical obligation of confidentiality is an important one, because one of the rationales for the exception is that "it cannot be the solicitor's business to further any criminal object".[48]

The Supreme Court of Canada discussed this exception in the case of *Déscoteaux v. Mierzwinski*,[49] where the offence in issue was a fraudulent application for Legal Aid. The client had provided false information about his income in order to obtain government funding for his legal case. The Court recognized that, just as communications with a lawyer lose their confidential nature when the client communicates with the lawyer with the aim to obtain legal advice in furtherance of a crime, the exception applies *a fortiori* to a situation where the communication as here is the material element (*actus reus*) of the crime itself. Although the Court had no difficulty concluding that solicitor-client privilege would have otherwise attached to the communications, the criminal purpose exception made these documents compellable and their seizure pursuant to a search warrant permissible.

The exception is a narrow one, however. It certainly falls well short of extending to all inculpatory evidence disclosed to a lawyer, nor is the exception engaged where the lawyer has merely been asked to advise about the legality of certain conduct. Further, even when the exception is engaged, it only strips the implicated communications of their privilege. So, in *Déscoteaux*, for example, while the legal aid application was a compellable document, the Court ordered that it was first to be inspected by the court with the copy to the Crown to be cleansed of any professional notes made by the lawyer. The original would then be sealed in the court file, unless or until on a further motion it was demonstrated that the originals were needed.

(2) *The "Innocence at Stake" Exception*

This exception, even narrower than the first, was recognized by the Ontario Court of Appeal in 1982 in *R. v. Dunbar and Logan*,[50] wherein Martin J.A. wrote:

> No rule of policy requires the continued existence of privilege in criminal cases when the person claiming the privilege no longer has any interest to

[48] *R. v. Murray*, [2000] O.J. No. 685 (S.C. J.)(QL) at paragraph 16.
[49] [1982] 1 S.C.R. 860.
[50] (1982), 68 C.C.C. (2d) 13 (Ont. C.A.).

> protect, and when maintaining the privilege might screen from the jury information which would assist an accused.[51]

This is an exception which, of course, arises in the criminal context. As the original formulation makes clear, consideration of this exception requires that the court examine both the situation of the privilege holder and of the accused. Moreover, the courts have emphasized in subsequent cases that privilege yields only where the accused *would* be assisted.[52]

An illustration of this exception and its application arose in connection with the infamous Paul Bernardo murder trial (*R. v. Murray [Evidence-Solicitor-Client Privilege]*),[53] where Mr. Bernardo's lawyer was also charged with obstruction of justice in connection with his failure to hand over videotapes of the violent offences which he had received from his client. This exception was engaged because the lawyer wished to divulge certain conversations and instructions he had received from his client for his own defence, but, of course, was not at liberty to simply waive the privilege because it was the substantive right of his client, Mr. Bernardo. Ultimately, at least at the preliminary inquiry stage, the lawyer was not able to obtain the authorization of the court to adduce into evidence the communications. As the communications would not themselves have prevented the accused lawyer from being ordered to stand trial, Mr. Bernardo's interest in preserving the privilege prevailed over his lawyer's interest in disclosing the communications, at least at that stage.

The test was again affirmed as a restrictive one in the Supreme Court of Canada's decision in *R. v. McClure*,[54] where a teacher accused of sexual offences against a former student sought disclosure of the student's civil litigation file on the theory that it might contain evidence of a motive to fabricate charges. At first instance, the motions judge had applied a standard of "likely relevance", and had found the odd sequence in which the complainant had reported the allegations (to a lawyer, then to the police, then to a psychiatrist and then in starting a civil action) as founding the accused teacher's suspicions. However the Supreme Court of Canada held that the trial judge had not given sufficient weight to the near absolute nature of solicitor-client privilege. Rather, the accused must show that the privileged communications related to core issues going to the guilt of the accused, and that there was a genuine risk of wrongful conviction without disclosure. If and only if this standard was met, should the court examine the records and make a determination on disclosure of the records in question. Based on this heightened threshold, the accused's theory did not warrant even judicial examination, and privilege prevailed.

While the "innocence at stake" exception may at first blush appear to be a facet of the Canadian law of privilege that is of little significance to corporate lawyers, in an age of increased regulatory prosecutions on both sides of the border it is not necessarily as irrelevant as one might think. The particular illustration of the conflict in the *Murray* case between the lawyer's desire to exonerate himself and the client's right to maintain the privilege could very well be the same tension that would arise where officers are named as well as a corporation in connection with a regulatory offence, keeping in mind that where corporate officers communicate with counsel, the privilege created belongs *to the corporation and not to them*. As *Murray* illustrates, and *McClure* emphasizes, it may be very difficult indeed in those instances for officers to obtain waiver of solicitor-client privileged documents for their own defence.

(3) *The Public Safety Exception*

A final recognized exception to solicitor-client privilege, and one that again is very narrow in its scope, is the public safety exception. As expressed by the Supreme Court of Canada in *Smith v. Jones*,[55] the standard for this exception is one that is very high indeed, necessitating a *clear, serious and imminent* threat of serious bodily harm or death. Even when engaged, as with the other exceptions to solicitor-client privilege, only that part of the privileged communications strictly necessary to fulfill the aim of protecting the public should be revealed.

Pursuant to the court's analysis in *Smith v. Jones*, the factors of clarity, seriousness and imminence are to be assessed as a whole. The threat need not be to a particular person, and can be for a large group if the evidence reveals a clearly formulated plan to carry out an imminent action. In terms of a clear risk, the court should look for evidence of formation of specific plan, history, escalation of violence and greater clarity of plan to harm.

Illustrating how high the standard is, in the instant case of *Smith v. Jones*, the Supreme Court of Canada split on whether it was proper to order disclosure of the accused's confession to a psychiatrist that he had a plan to kidnap, rape and kill prostitutes. Although the plan was quite detailed and specific, three of the nine members of the Court would have held that in light of the fact that the accused had been out of jail for fifteen months, the case lacked the necessary imminence or sense of urgency to encroach on the privilege rights of the accused.

Litigation Privilege

In some Canadian jurisprudence and jurisdictions, litigation privilege is said to be a branch of solicitor-client privilege, while in others it is described as a separate privilege altogether. This subject of classification is one of considerable debate among Canadian scholars.[56] Most acknowledge, however, that litigation privilege has a separate function and rationale from the legal advice branch of solicitor-client privilege.

[51] *Id.* at 44.
[52] *R v. Murray [Evidence of Solicitor-Client Privilege]*, [2000] O.J. No. 685 (Sup. Ct. J.).
[53] *Ibid.*
[54] [2001] 1 S.C.R. 445.
[55] [1999] 1 S.C.R. 455.
[56] Most notably between Garry Watson and Frank Au on one hand ("The Solicitor-Client Privilege and Litigation Privilege in Civil Litigation" (1998), 77 Canadian Bar Review 346) who take the position that

The Purpose and the Test

Whereas solicitor-client privilege (sometimes referred to as the "legal advice branch" or "legal professional privilege") is aimed at preserving the integrity of a *relationship* – that of a solicitor and a client – litigation privilege (or the "lawyers' brief branch ") is aimed as preserving the integrity of the adversarial system of litigation itself. As Carthy J.A. suggested in *Chrusz*, quoting with approval from a leading text on the law of evidence:

> although this extension was spawned out of the traditional solicitor-client privilege, the policy justification for it differed markedly from its progenitor. It had nothing to do with clients' freedom to consult privately and openly with their solicitors; rather, it was founded upon our adversary system of litigation by which counsel control fact-presentation before the Court and decide for themselves which evidence and by what manner of proof they will adduce facts to establish their claim or defence, without any obligation to make prior disclosure of the material acquired in preparation of the case.

In *Ottawa-Carleton (Regional Municipality) v. Consumers Gas Co.*, O'Leary J. had previously framed the rationale for litigation privilege by noting:

> [t]he adversarial system is based on the assumption that if each side presents its case in the strongest light the Court will be best able to determine the truth. Counsel must be free to make the fullest investigation and research without risking disclosure of his opinions, strategies and conclusions to opposing counsel. The invasion of the privacy of counsel's trial preparation might well lead to counsel postponing research and other preparation until the eve of or during trial, so as to avoid early disclosure of harmful information. The result would be counterproductive to the present goal that early and thorough investigation by counsel will encourage an early settlement of the case. Indeed, if counsel knows he must turn over to the other side the fruits of his work, he might be tempted to forego conscientiously investigating his own case in the hope that he will obtain disclosure of the research, investigations and thought processes compiled in the trial brief of opposing counsel.[57]

Unlike the jealously-guarded solicitor-client privilege, the courts are not nearly as solicitous of protecting and promoting the independent preparation of cases by counsel. Indeed, in *Chrusz*, Carthy J.A. stated it as bluntly as this:

> there is nothing sacrosanct about this form of privilege. It is not rooted, as is solicitor-client privilege, in the necessity of confidentiality in a relationship. It is a practical means of assuring counsel what Sharpe calls a 'zone of privacy' and what is termed in the United States, protection of the solicitor's work product.

Given that the "preservation of a zone of privacy" for the preservation of a case is inevitably in tension with a general policy embedded in rules of court which favour broad and open pre-trial disclosure, it is not surprising that claims to litigation privilege are more vulnerable to being overruled. Indeed, the threshold for recognizing litigation privilege in documents has developed in Canadian common law jurisdictions alongside an explicit recognition of the tension between this privilege and the need to promote a broad scope for discovery.

For a time, there was debate in Canadian courts as to whether litigation privilege could be sustained if litigation were the sole purpose, or whether it need only be a "substantial purpose". Ultimately, courts of various Canadian jurisdictions have settled on a middle ground, the "dominant purpose test".[58]

The dominant purpose test originated in England in the 1979 case of *Waugh v. British Railways Board*,[59] in which the House of Lords was grappling with the question of whether privilege should extend to a railway inspector's routine accident report. The document was prepared as a report to the company's solicitor for a liability assessment, but equally for the purpose to further railway safety. Consisting of contemporaneous statements, the report contained valuable evidence of what had occurred. Considering the tension between the railway's interest in maintaining privilege over the document, and the interests of open discovery, Lord Wilberforce concluded that:

> unless the purpose of submission to the legal adviser in view of litigation is at least the dominant purpose for which the relevant document was prepared, the reasons which require privilege to be extended to it cannot apply. On the other hand to hold that the purpose, as above, must be the sole purpose would, apart from difficulties of proof, in my opinion be too strict a requirement and would confine the privilege too narrowly.[60]

In adopting the House of Lords' rationale from *Waugh* in *Chrusz*, the Ontario Court of Appeal similarly concluded that "based upon policy considerations of encouraging

litigation privilege is separate and distinct from solicitor-client privilege) and J. Douglas Wilson ("Privilege in Experts' Working Papers" (1997), 76 Canadian Bar Review 346 and "REJOINDER: It's Elementary My Dear Watson" (1998), 77 Canadian Bar Review 549), who takes the position that litigation privilege is just another name for solicitor-client privilege in the litigation context.

[57] (1990), 74 O.R. (2d) 237 (Div. Ct.) at 643.

[58] As noted by the Ontario Court of Appeal in *General Accident Assurance Co. v. Chrusz* (1999), 45 O.R. 321, affirming "dominant purpose" as the standard applicable in Ontario; this standard had previously been adopted by appellate courts in British Columbia: *Voth Bros. Construction (1974) Ltd. v. North Vancouver Board of School Trustees* (1981), 23 C.P.C. 276 (C.A.), Alberta: *Nova, An Alberta Corp. v. Guelph Engineering Co.* (1984), 5 D.L.R. (4th) 755 (Alta. C.A.), New Brunswick: *McCraig v. Trentowsky* (1983), 148 D.L.R. (3d) 724 (N.B.C.A.) and Nova Scotia: *Davies v. Harrington* (1980) 15 D.L.R. (3d) 347 (N.S.C.A.).

[59] [1979] 2 All E.R. 1169.

[60] *Id.* at 1174.

discovery, [this Court] would join with the other appellate authorities in adopting the dominant purpose test."[61]

More than Just the Lawyer's Brief

While generally the focus of litigation privilege is on the lawyer's brief and preparatory activities leading to the trial of the action, it is important to note that the privilege itself is not so constrained. The client's own preparation in anticipation of litigation prior to retaining a lawyer will also be covered by this privilege if the dominant purpose test is met, as was recently affirmed by the Ontario Superior Court in *Kennedy v. McKenzie*.[62] In *Kennedy,* the document at issue was a statement that had been provided by the plaintiff to his insurance adjuster. At the time the statement was made, the plaintiff had been named as a defendant in another action arising out of the same boating accident that subsequently gave rise to his claim in the matter that was before the court. There could be no real issue that litigation was in contemplation and was the dominant purpose for the plaintiff making the statement and his insurer's adjuster recording it. However the plaintiff's own action had not been commenced at that point, nor had he retained a lawyer to pursue his own claims. In resisting the claim of privilege, the defendant suggested, and was successful in arguing at first instance, that the fact that no lawyer had been retained was fatal to the claim, because there was no connection between the document and the activities of the "adversarial advocate". However Ducharme J. held that both the Master and the court in an earlier authority cited by the defendant had erred in holding that *Chrusz* required an inquiry into the role of a document in the lawyer's preparation of a case as a prerequisite for finding that litigation privilege attached. He held that dominant purpose was the only test and, moreover, that:

> requiring a party to demonstrate a clearer connection between the creation of the document and the activities of the adversarial advocate runs the risk of exposing investigatory steps taken by counsel, their research strategies or their opinions, thought processes and conclusions about their strengths and weaknesses in terms of settlement discussions, negotiation tactics and litigation strategies. It is precisely these sorts of information that litigation privilege is meant to protect.[63]

In the result Ducharme J. reversed the determination of the Master as to privilege, holding that the statement was made with the dominant purpose of preparing for litigation whether it was ever used by the plaintiff's lawyer or not.

The Life Span of Litigation Privilege

Solicitor-client privilege can live forever, and survives no matter the context of the litigation in which it may arise. However because litigation privilege can only be justified by the threat or existence of litigation, it follows that this privilege can be exercised only so long as the particular litigation that was the dominant purpose of creating a record remains in issue. This is an issue well-illustrated by the fact, in *Chrusz.*

Chrusz involved a dispute between an insurer and an insured over a fire insurance claim. At the time that an adjuster's initial report was prepared for the insurer, arson was suspected. Had the dispute between the parties arisen over those very allegations, the Court was prepared to conclude that litigation privilege might have been applicable to the adjuster's report. However, the company subsequently concluded that arson was not at issue and paid the insured for several months, which put an end to any litigation privilege claim that could previously have been made. It was only when the insurer received information from a dismissed former employee of the insured, suggesting that the insured had fraudulently increased his claim, that the dispute that was before the Court had its genesis. Given the facts, the insurance company was not permitted to reclaim privilege over its initial accident report merely because litigation had been contemplated at the time of the report, and because different litigation ultimately resulted.

Expert Reports – The Weak Link in Litigation Privilege

A significant aspect of preparing for litigation is consultation with expert witnesses. One would therefore expect that litigation privilege would apply to all communications between lawyers, clients and experts leading up to the trial.

This assumption holds true – for non-testifying witnesses. The Ontario Rules of Civil Procedure reinforce this privilege in respect of non-testifying experts by providing that, where a party undertakes not to call such person, the party is not required to disclose any information about an expert with whom the party has consulted, including the name of the expert.[64] On the other hand, the same Rule provides explicitly that in the case of a witness that a party wishes to have the option to call at trial, the "findings, opinions and conclusions of the expert" are discoverable, and the party being examined for discovery is also obliged, if asked, to provide the name and address of the expert.

One might have thought that a distinction would be drawn between an obligation to disclose factual information – which is generally an obligation compatible with litigation privilege – and the obligation to provide actual draft reports and correspondence between the expert and lawyer or expert and client, which one would think should be covered by litigation privilege. However, the trend, most recently affirmed in *Horodynsky Farms Inc. v. Zeneca Corp,*[65] increasingly suggests that a party's decision to rely on an expert at trial will lead the courts to deny litigation privilege over all prior communications with the expert.

[61] (1999), 45 O.R. (3d) 321 at 333.
[62] (2006), 17 C.P.C. (6th) 229 (S.C.J.).
[63] *Id.* at 238.
[64] Rule 31.06(3).
[65] [2006] O.J. No. 3012 (C.A.)(QL).

At issue in *Horodynsky Farms* was a memorandum, which recorded an initial conversation that had taken place between the defendant's expert and their former solicitor. This memorandum had not been produced prior to or at the trial, and its existence only became apparent to the plaintiffs during the preparation of costs submissions following the trial (in which the claim had been dismissed). The plaintiffs appealed the trial result and brought a motion to a single judge of the Court of Appeal to compel the production of this memorandum, which they wished to consider as potential "fresh evidence" on the appeal. The defendants took the position that the memorandum did not consist of "findings, opinions and conclusions" as per the applicable Rule, but rather that it recorded general discussions between the solicitor and the expert concerning the technical issues in the case. The defendants further argued that notes, letters, memoranda and other materials prepared by counsel in anticipation of, or during the course of the litigation were privileged, that they had not waived their privilege and were consequently entitled to resist production.

Gillese J.A. did not agree. Seizing on the language from *Chrusz* that litigation privilege was "not sacrosanct", she found that once a party had elected to call an expert as a witness, the privilege should give way to an obligation to make full production to the opposing party of all foundational materials underlying the expert's opinion. Although it went further than required to answer the instant matter before her, Gillese J.A. also suggested "it is my tentative view that our system of civil litigation would function more effectively if parties were required to produce *all* communications with an expert whose opinion is going to be used at trial"[66] (emphasis added). Further, taking on litigation privilege more generally, she suggested that "litigation privilege is the zone of privacy left to a solicitor after the current demands of discoverability have been met",[67] intimating that there were no firm lines and that the privilege could be readily lifted wherever on the facts of a case it appeared fair to do so. In the case of expert reports, Gillese J.A. held that privilege should give way to the greater need for "disclosure of all foundational information for the expert's report, whether or not the final findings, opinions or conclusions expressly reflect that information".[68]

Horodynsky Farms was not a decision of the full Court of Appeal, and Gillese J.A. herself noted in rendering her decision that this subject was one that "cries out for appellate review".[69] Nevertheless, the "writing is on the wall" for the general obliteration of litigation privilege in conjunction with communications with testifying experts, not only from *Horodynsky* Farms but also from prior decisions which have held that draft reports (including drafts indicating feedback from litigation counsel) are producible.[70]

The practical implication of this trend cautions parties to litigation to be very cautious not to speak too freely in their communications with experts who may be called to testify. The fact that communications are with a lawyer, and in explicit preparation for litigation, does not necessarily shield them from production. Particular care should be taken with anything recorded in writing. It may be advisable to frame a lawyer's assessment of an expert's potential testimony in the form of a letter or memorandum to the client that is not shared with the expert, so that the benefit of the more watertight solicitor-client privilege may be claimed. Further, where frank and uncensored advice is needed, it may well serve a party to retain a *non*-testifying expert whose advice will not be compellable.

Settlement Privilege

The Rationale and the Rule

Settlement privilege, like other forms of privilege recognized in Canada, started out as an evidentiary rule but has since expanded beyond its origins. It is a rule which bars the admission into court of evidence concerning statements which are made in a *bona fide* effort to reach a settlement or compromise of a dispute. It can also operate to prevent disclosure of such communications to non-parties in the same or a factually-related dispute.

The policy behind protecting settlement communications from disclosure is the "overriding public interest in favour of settlement".[71] The rationale is that settlement conserves judicial resources and that extending privilege over communications made for the purpose of attempting to reach settlement will encourage parties to be frank and conciliatory in a manner that they otherwise might not be if they had to be concerned about future disclosure of their communications.

For a communication to come within the scope of settlement privilege:

(a) a litigious dispute must be in existence or within contemplation;
(b) the communication must be made with the express or implied intention that it would not be disclosed to the court in the event negotiations failed; and,
(c) the purpose of the communication must be to attempt to effect a settlement.[72]

All factors must be present for the privilege to attach – the subject matter is not itself enough. It is possible, and sometimes desirable to discuss "settlement" with an opponent without intending to foreclose the admissibility of the communications at another date. If settlement privilege is to attach, the recipient of the communication must be clearly alerted to the fact and must receive the communication with that understanding. A party cannot keep to itself its view that the meeting is intended to negotiate a compromise; the intention must be

[66] *Id*. at paragraph 66.
[67] *Id.* at paragraph 35.
[68] *Id*. at paragraph 42
[69] *Id* at paragraph 71.
[70] *Browne (Litigation Guardian) v. Lavery* (2002), 58 O.R. (3d) 49 (S.C.J.).
[71] See e.g. *British Columbia Children's Hospital v. Air Products Canada Ltd.*, [2003] B.C.J. No. 591 (C.A.)(QL) at paragraph 11, citing *Loewen, Ondaatje, McCutcheon & Co. v. Sparling*, [1992] 3 S.C.R. 235.
[72] *Losenno v. Ontario Human Rights Commission* (2005), 78 O.R. (3d) 161 (C.A.), application for leave to appeal to S.C.C. dismissed: [2005] S.C.C.A. No. 531(QL).

common to both participants. Likewise, a meeting, the content of which would otherwise be "with prejudice" does not get converted into a privileged occasion by a party throwing in a (possibly spurious) offer of settlement as an aside or an afterthought.[73] As a practical matter, as a lawyer you will want to clearly identify any communication or meeting with the opposite party to any dispute (whether or not a claim has been issued) as either with or without prejudice in order to achieve the intended result in terms of your future ability to introduce discussions into evidence or to preclude disclosure.

You should also be mindful of certain procedural rules, which even apart from the law of privilege, bar the disclosure of settlement offers to the court prior to the adjudication of an action.[74]

A communication which contains a threat (such as of bankruptcy or prosecution) may not qualify for settlement privilege even if it goes on to contain an offer of compromise. An exception also applies to dishonest dealing, as "there is no policy reason for excluding what one party puts forward in its own interest and to the prejudice of the other".[75]

If the privilege applies, barring waiver by *both* parties to the communication, the general rule is that documents that come within the scope of settlement privilege are inadmissible in court.

The Duration and Scope of Settlement Privilege: Against Whom, and For How Long?

Unlike with litigation privilege where the conclusion of the litigation ends the privilege, the fact that a matter has actually settled does not end the life of settlement privilege. The details of the settlement offer and acceptance remain privileged in respect of future litigation, *unless* the subsequent litigation is one for the interpretation or enforcement of the settlement itself. In *Sun Life Trust Co. v. Dewshi*,[76] the Ontario Court (General Division) struck references in a claim to a settlement agreement in which a guarantee had been acknowledged, holding that privilege still attached to settlement discussions in respect of a concluded settlement except for the limited purpose of interpreting and or enforcing the settlement. The court then went on to speak broadly about the admissibility of without prejudice communications – whether as part of an unsuccessful or a successful settlement – and to state that as a general rule the without prejudice rule renders inadmissible in any subsequent litigation connected with the same subject matter proof of any admissions made in a genuine attempt to reach a settlement.

While earlier cases took a different approach, the current Canadian trend appears to be towards treating settlement privilege as a "blanket" privilege available as against both parties and non-parties to the settlement, and covering both pre-settlement negotiations and the settlement agreement.

In this vein, a majority of the British Columbia Court of Appeal, in *Middelkamp v. Fraser Valley Real Estate Board*[77] considered and departed from its own past jurisprudence in concluding that:

> Considering the enormous scope of production which is required by our almost slavish adherence to the *Peruvian Guano* principle [of full disclosure of documents with a "semblance of relevance"], the questionable relevance and value of documents prepared for the settlement of disputes, and the public interest, I find myself in agreement with the House of Lords that the public interest in the settlement of disputes generally requires 'without prejudice' documents or communications created for, or communicated in the course of, settlement negotiations to be privileged. I would classify this as a 'blanket', prima facie, common law, or 'class' privilege because it arises from settlement negotiations and protects the class of communications exchanged in the course of that worthwhile endeavour.
>
> In my judgment, this privilege protects documents and communications created for such purposes both from production to other parties to the negotiations and to strangers, and extends as well to admissibility, and whether or not a settlement is reached. This is because, as I have said, a party communicating a proposal related to settlement or responding to one, usually has no control over what the other side may do with such documents. Without such protection, the public interest in encouraging settlements will not be served.[78]

Subsequently, in *British Columbia Children's Hospital v. Air Products Canada Ltd.*, the B.C. Court of Appeal affirmed this holding and extended it from the pre-settlement negotiations which were at issue in *Middelkamp* to the settlement agreement itself.[79] The Manitoba Court of Appeal and Federal Court of Appeal have also affirmed this "present trend in the law is to increasingly provide a blanket privilege protecting the disclosure of all communications made in furtherance of a settlement from both the parties to that settlement and any third parties or strangers on the basis of a public policy promoting settlement out of court".[80]

Exceptions to Settlement Privilege

There can be exceptions to settlement privilege absent a waiver by the parties to the agreement. The threshold for overriding a settlement privilege claim is fairly substantial,

[73] *Bertram v. Canada*, [1995] F.C.J. No. 1669 (C.A.)(QL) at paragraph 16.
[74] E.g. Ontario Rule 49.06.
[75] *Bertram v. Canada*, [1995] F.C.J. No. 1669 (C.A.)(QL) at paragraph 26.
[76] [1993] O.J. No. 57 (Gen. Div.)(QL).
[77] (1992), 96 D.L.R. (4th) 227 (B.C.C.A.).
[78] *Id.*,at 232-233.
[79] [2003] B.C.J. No. 591 (C.A)(QL).
[80] Quote from *Histed v. Law Society of Manitoba*, [2005] M.J. No. 327 (C.A.)(QL) at paragraph 44. Accord *Bertram v. Canada*, [1995] F.C.J. No. 1669 (C.A.)(QL).

but it is not safeguarded by Canadian courts to the degree which is applicable to solicitor-client privilege. As the Manitoba Court of Appeal recently remarked:

> The protection afforded settlement communications is less stringent than that afforded solicitor-client privilege. It is not considered a substantive rule of law or a fundamental civil right. Consequently, a court will more likely carry out a balancing of interests to determine whether the circumstances justify a demand for production or, in our case, justify straying from the open court policy.[81]

To overcome settlement privilege requires that the documents sought are both relevant, and necessary in the circumstances of the case to achieve the "overriding interest of justice".[82] Exceptions have been recognized for disclosure to non-settling parties in cases where parties to the settlement have reached some agreement as to evidence, on the basis that such arrangements could cast light on the quality of the evidence or the motivation of the witness giving the evidence, and ultimately affect the weight a court might give to the evidence.[83] Other cases have overridden settlement privilege to prevent double recovery[84] or to permit examination of the issue of whether a release, covenant not to sue, or reservation of rights might impact on the non-settling parties as joint tortfeasors.[85]

Case-by-Case Privilege

Canadian courts have expressly recognized that the classes of privilege are not closed. As such, where none of the other recognized forms of privilege apply, it remains open for argument in any case that particular communications ought to attract privilege based on the individual characteristics of the communication and the relationship between the parties who are privy to the communication. Case-by-case privilege, also sometimes referred to as "common law privilege" in Canadian jurisprudence, relies on four criteria propounded by the American treatise writer John Henry Wigmore.[86] The Wigmore test as to whether or not a communications is privileged requires that: (1) the communications must originate in a confidence that they will not be disclosed; (2) this element of confidentiality must be essential to the full and satisfactory maintenance of the relationship between the parties; (3) the relationship must be one which in the opinion of the community ought to be sedulously fostered; and (4) the injury that would inure to the relation by the disclosure of the communications must be greater than the benefit thereby gained for the correct disposal of litigation.

In Canada, common law privilege is far more often discussed than it is upheld in any case. Unsuccessful attempts to shield communications based on common law privilege have been made in the case of priest-penitent communications,[87] psychotherapeutic records of a sexual assault complainant,[88] and communications between taxpayers and their accountants.[89] In the rarer category of a situation where a common law privilege claim has been upheld, the Ontario Court (General Division) held in *Union of Canada Life Insurance v. Levesque Securities Inc.* that confidential bank records of a non-party were privileged based on the Wigmore criteria.[90]

While in the right case, litigation counsel will be prepared to argue "case-by-case privilege", it is not something which you as a corporate counsel should make any presumptions about, given the very strict application by Canadian courts of the Wigmore criteria.

WAIVER OF PRIVILEGE

The Test and the Approach

The Canadian rule on waiver of privilege, simply put, is that privilege is not waived except by the voluntary decision of the client, or by necessary implication from some position he or she has taken. As contrasted with older British authorities that held that privilege is lost when documents were dropped on the street,[91] Canadian appellate courts have come out consistently in favour of an approach that inadvertent disclosure does not in itself amount to waiver.[92] While it is not the case that carelessness can never cost a party its claim to privilege, Canadian jurisprudence is founded on the idea that parties are not readily stripped of a legitimate claim to privilege in their documents and communications, without a conscious choice to disclose the communications or to place them in issue in the litigation. Rather, where a party has made an unintended disclosure of a privileged communication, he or she is put to an election as to whether to rely on the communications as evidence, or to retract them with the consequence that the documents will be inadmissible by either party.

Waiver by disclosure, as recently noted by Corbett J. in *Guelph (City) v. Super Blue Box Recycling Corp.*[93] requires that there is:

(a) a disclosure;
(b) of a privileged communication;
(c) that is intended;

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[81] *Id.* at paragraph 37.
[82] *Dos Santos (Committee of) v. Sun Life Assurance Co. of Canada*, [2005] B.C.J. No. 5 (C.A.)(QL) at paragraph 20.
[83] *Vancouver Community College v. Phillips, Barratt* (1987), 20 B.C.L.R. (2d) 289 (S.C.).
[84] *Confederation Life Insurance Co. v. Juginovic* (1996), 48 C.P.C. (3d) 60 (B.C.S.C.-Ch.).
[85] *British Columbia Children's Hospital v.* [2003] B.C.J. No. 591 (C.A)(QL).
[86] Wigmore, John Henry. *Evidence in Trials at Common Law,* vol. 8. Revised by John T. McNaughton. Boston: Little, Brown & Co., 1961.
[87] *R. v. Gruenke*, [1991] 3 S.C.R. 263.
[88] *M.(A.) v. Ryan*, [1997] 1 S.C.R. 157.
[89] *Tower v. Canada (Minister of National Revenue)*, [2004] 1 F.C.R. 183 (C.A.).
[90] (1999), 42 O.R. (3d) 633.
[91] *Calder v. Guest (2)*, [1898] 1 Q.B. 759.
[92] See e.g. *Lavallee, Rackel & Heintz v. Canada*, [2000] A.J. No. 159 (C.A.)(QL) at paragraph 36, aff'd [2002] 3 S.C.R. 209; *Chapelstone Developments Inc. v. Canada*, [2004] N.B.J. No. 450 (C.A.)(QL) at paragraph 51; *Stevens v. Canada*, [1998] F.C.J. No. 794 (C.A.)(QL) at paragraph 50; *Metcalfe v. Metcalfe*, [2001] M.J. No. 115 (C.A.)(QL) at paragraph 14.
[93] [2004] O.J. No. 4468 (S.C.J.)(QL).

(d) with the intention of waiving privilege; and
(e) by a person who is authorized to waive the privilege.[94]

As this formulation clearly suggests, waiver of privilege is not to be accidental. Rather, when a party has made inadvertent disclosure, as Justice Corbett noted in *Super Blue Box*: "then the holder of the privilege must make a choice. If it waives the privilege, then privilege is waived over the entire subject matter of which the disclosed communication is a part. If it does not waive privilege, then no party may use or rely upon this disclosed privileged communication in the proceeding."[95]

"Entire Subject Matter"

The requirement that privilege be waived over the "entire subject matter" turns on concerns about fairness. A party may not "cherry pick" portions of privileged communications which place itself or its case in a favourable light and still maintain a claim of privilege over the rest of the communications that were exchanged on the subject. That is not to say, however, that on a document-by-document basis the rule can be summarized in terms of "waiver of some is waiver of all". Indeed, several Canadian authorities have been clear that this is *not* the case, and that it is perfectly appropriate and even desirable to provide the other side with a document or memorandum from which privileged communications have been redacted.[96] The test, rather, is whether partial disclosure would tend to leave a misleading impression on the other party or the court as to what was said on a given subject, such that the interest of fairness requires disclosure of the whole.

Waiver by Implication

One of the more typical ways that a party will be found to have waived privilege in Canada is where, by his or her pleadings or testimony, he or she has placed privileged communications into issue. A typical example is where, faced with allegations of "bad faith" by an opposing party, a party pleads good faith reliance on legal advice. Having taken this position, the party waives privilege in the legal advice he or she received on all of the subjects at issue in the litigation. So, for example, where the accused raised an abuse of process argument in a "reverse sting" case and the Crown responded by invoking the credibility of a highly experienced departmental lawyer to assist the RCMP position, privilege over the lawyer's advice could not be maintained.[97] In the corporate context where a bank's case was founded on the proposition that it had relied on comfort letters from the defendants as guarantees, the bank was not permitted to withhold its in-house counsel's advice on the legal force of comfort letters having placed this very matter into issue.[98] The bank, moreover, was not allowed to split hairs by isolating advice on the particular comfort letters from its general advice on the subject, having chosen to commence an action and to place the specific issue into dispute.

Who May Waive Privilege

As the test for waiver makes explicit, in the case of solicitor-client privilege, only the client or owner of the privilege may waive it. While an agent for the client may do so (and typically, the client's lawyer will have ostensible authority in this regard) there are special situations where limits are recognized. Thus, in *Ontario Securities Commission and Greymac Credit Corporation (Re)*, where the terms of the appointment of registrar under the *Loan and Trust Companies Act* were to take possession and control of assets to conduct the business of the corporation and to take steps toward its continued operation and rehabilitation, it was held that waiving privilege for the purpose of providing assistance to a provincial inquiry was outside the objects and hence the registrar could not waive the corporation's privilege.[99]

Waiver by implication also requires the party's conscious election to place a matter into issue. One party cannot place the other party's privileged communications into issue, as the Ontario Divisional Court noted in *Davies v. American Home Assurance Co*.[100] So, for example, the plaintiff's allegations that the insurer acted in bad faith in denying an insurance claim does not throw open the door on all of the legal advice that the defendant received simply because the defendant responds by denying the allegation. The defendant must do more to indicate that reliance on legal advice is the excuse for its conduct before waiver will be made out.

In *Super Blue Box*, Corbett J. elaborated a pragmatic approach to be taken to the issue of waiver by implication, emphasizing that just as with waiver by disclosure, this was not a matter where a party could lose privilege simply by being "tripped up" on oral discovery. The problem with taking a hard-line approach, as Corbett J. noted, was that:

> principles of solicitor-client privilege were developed in Britain long before current pre-trial disclosure obligations were developed. It is now necessary, in Ontario, to disclose all relevant documents, and not just those to be relied upon at trial. It is now necessary to answer all relevant questions at discovery, and not just provide a list of trial witnesses. Then, when the rules around privilege were developed, a party would not be required to vet all of its documents for privilege and then attend an examination that could last many days, or, as in this case, weeks, to answer probing questions about why it acted as it has. With such arduous disclosure requirements has come the difficult task of ensuring that, while discharging its positive obligations to disclose, a party does not inadvertently reveal some aspect of the legal advice that it received, thus

[94] *Id.* at paragraph 90.
[95] *Id.* at paragraph 92.
[96] *Id.* at paragraph 106; *Chapelstone Developments Inc. v. Canada*, [2002] N.B.J. No. 450 (C.A.)(QL) at paragraph 58.
[97] *R. v. Campbell*, [1999] 1 S.C.R. 565.
[98] *Toronto-Dominion Bank v. Leigh Instruments Ltd. (Trustee of)* (1997), 32 O.R. (3d) 575 (Gen. Div.).
[99] (1983), 41 O.R. (2d) 328 (Div. Ct.).
[100] (2002), 60 O.R. (3d) 512 (Div. Ct.), accord *Osborne v. Non-Marine Underwriters, Lloyds of London* (2003) CarswellOnt 967 (S.C.J.).

> opening the door to a demand for disclosure of a broad range of privileged communications.[101]

Consequently, in the context of oral discovery, Corbett J. noted that mere disclosure of the receipt and reliance upon legal advice, in the discovery process, was not sufficient to give rise to waiver of privilege. Rather, it is only where a party had placed substantive reliance that waiver is established. Providing a specific example, he noted that;

> "If asked the question: Q.: "Why did you send this letter to my client? A.: "My lawyer told me to (or, on legal advice)", then the answer may well be the accurate, and indeed only response. Perhaps the more artful answer to the question is: "the answer to that question is privileged" (an answer that conveys much the same meaning while observing the traditional requirements of non-disclosure). [But][w]aiver by disclosure should not be a matter of artistry in the discovery process. Nor should it be confused with waiver by reliance."[102]

A similar approach was endorsed by the Manitoba Court of Appeal in *Gower v. Tolko Manitoba Inc.*,[103] where in response to a written interrogatory asking about indices of "good faith" and mentioned counsel's involvement the court held that this was not a waiver over the advice unless or until it formed part of the responding party's substantive position.

Limited Waiver and Common Interest Privilege – Where Disclosure Does Not Amount to Waiver

As noted above, one of the ways in which privilege may be waived is when the owner of the privilege makes a conscious choice to disclose privileged documents to a person who is an outsider to the solicitor-client relationship. Once the confidentiality of communications is compromised, the general consequence is that privilege can no longer be claimed. Conventional wisdom is that privilege once waived is forever waived. There are caveats to this general wisdom, however, which have been recognized in Canadian jurisprudence and which indicate a trend towards a less harsh application of waiver by disclosure.

One exception, which is broadly recognized, is that parties who have a "common interest" in litigation against a common adversary may share information concerning litigation strategy without compromising litigation privilege against the common adversary. Sometimes referred to as "common interest privilege", this ability to share information with a co-defendant is not truly a separate "privilege" so much as it is a recognized exception to waiver by disclosure.

[101] [2004] O.J. No. 4468 (S.C.J.)(QL) at paragraph 85.
[102] *Id.* at paragraph 92.
[103] (2000), 196 D.L.R. (4th) 716 (Man. C.A.).

Common interest privilege was discussed at some length by Wilson J. in *Supercom of California Ltd. v. Sovereign General Insurance Co.*,[104] wherein it was noted that common interest privilege can extend both to parties to the litigation with a "selfsame interest", and to persons who may not be named as parties but who share an interest in its outcome. Such a common interest might apply, for instance, to insurer and reinsurer, to assignor and assignee, to insured and insurer in the case of a subrogated claim. However, common interest must not be taken too far and, like litigation privilege itself, attempts to create a broad extension to such a privilege will be measured against the principles of promoting a fair and balanced adversarial system. Thus, when an insurer argued that information shared with the Insurance Crime Prevention Bureau should be protected from disclosure to the plaintiff on the basis that insurers had a "common interest" in preventing insurance fraud, Wilson J. held that this stretched the concept too far and that it was not consonant with principles of fairness that insurers should be permitted to disseminate such information broadly among themselves while shielding it from insureds under the veil of privilege.

An interesting – and to corporate legal counsel, a very valuable – extension to the concept of common interest privilege which has received some jurisprudential support is the idea that privileged information may be shared in the corporate transaction context without necessarily amounting to a waiver of privilege. Noting that parties to a commercial transaction are generally not adverse in interest, and that specific confidentiality requirements are often made a condition of viewing documents in a "data room", Canadian courts have held in several cases that sharing of privileged information in the context of a transaction does not amount to a waiver of the privilege.[105] That is not to say that there is a blanket of "common interest privilege" cast over every transaction, but rather that the courts should look to the "expectations of the parties and the nature of the disclosure" to conclude whether the parties had a reasonable expectation that the opinions shared would remain confidential as against outsiders, or whether disclosure in the context of a transaction would amount to waiver.[106]

A related concept is the emerging concept of "limited waiver" in the context of the disclosure of privileged information by a corporation to its auditors. This issue was raised in the case of *Philip Services Corp. (Receiver of) v. Ontario Securities Commission*,[107] where the Ontario Securities Commission ("OSC") had subpoenaed a company's auditors to testify in respect of legal opinions that the company had disclosed to the auditors in the course of an audit. In its analysis, the Ontario Divisional Court noted that the company had not freely provided the information, but was under a practical legal compulsion to provide that information upon the auditors' request because the

[104] (1998), 37 O.R. (3d) 597 (Gen. Div.).
[105] *Archean Energy Ltd. v. Canada (Minister of National Revenue)*, [1997] A.J. No. 347 (Q.B.)(QL) at paragraph 30; *Pitney Bowes of Canada Ltd. v. Canada*, [2003] F.C.J. No. 311 (T.D.)(QL) at paragraphs 16-20; *Fraser Milner Casgrain LLP v. Canada (Minister of National Revenue)*, [2002] B.C.J. No. 2146 (S.C.)(QL) at paragraphs 12-18; *CC&L Dedicated Enterprise Fund (Trustees of) v. Fisherman*, [2001] O.J. No. 637 (S.C.J.)(QL) at paragraphs 29-32; *Pinder v. Sproule*, [2003] A.J. No. 32 (Q.B.(QL) at paragraphs 62, 70-71.
[106] *Pitney Bowes of Canada Ltd. v. Canada*, [2003] F.C.J. No. 311 (T.D.)(QL) at paragraph 18.
[107] [2005], O.J. No. 4418 (Div. Ct.)(QL).

company had a statutory obligation to co-operate with its auditors. The consequence of withholding the opinions when asked by the auditors might well have been the resignation of the auditors and the withholding of their certificate, a grave matter for a public company.

In the result, the court concluded that the company had neither waived privilege as against the world, nor had it authorized the auditors to waive privilege further on their behalf, but only to utilize the legal opinions in their audit capacity. The company consequently retained the right to object to the production of the opinions by the auditors to the OSC. The company had not put into issue good faith reliance on its legal opinions, and had therefore not waived privilege in the OSC proceedings.

As the foregoing discussion illustrates, the concepts of limited waiver and of common interest privilege are very much fact-specific inquiries. The cases show that, while there is no guarantee, where as a corporate counsel you find yourself under a practical compulsion to share legal opinions or litigation strategies outside of the corporation, you will be well served to obtain a confidentiality acknowledgment from the recipient which very particularly spells out the circumstances under which disclosure is made, the people who may access the document, and provisions for its safekeeping, destruction and or return. In such circumstances, the odds of maintaining your ability to claim privilege against a future litigation adversary are much enhanced.

CONCLUSION

The law of privilege is nuanced and ever-evolving and it is not possible to cover the field in a thirty-page paper. Nevertheless, we hope that this primer will be of assistance to you in being alert for the privilege issues that can arise for you as counsel to an American corporation with dealings in Canada, and in assisting you to take pro-active steps to protect your sensitive documents to the greatest extent possible in any future Canadian litigation that your company may face. As always, consulting on particular issues with experienced local counsel is the best policy.

Many thanks to Blake, Cassels & Graydon LLP, Toronto, Canada for taking the lead in writing this paper – from Richard Bailey and Patti Phelan, the presenters of this paper at the ACC 2006 Annual Conference.

SOLICITOR-CLIENT PRIVILEGE IN CANADA:
Common Questions and Related Thoughts

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Preamble

This paper is largely a compilation of notes taken at other conferences or from various of the excellent resources listed at the end of this paper.

Questions & Related Thoughts

1. Does the concept of attorney-client privilege exist in Canada?

   It does though it is known in the common law provinces of Canada as solicitor-client privilege.

   It is also sometimes referred to in Canada as legal advice privilege.

2. How is solicitor-client or attorney-client privilege defined in Canada?

   Solicitor-client privilege attaches to communications in whatever form, if they are made:
   a) in the context of a solicitor-client relationship;
   b) in the course of either requesting or providing legal advice; and,
   c) with intention on the client's part that the communication is to remain confidential.

   > Toronto-Dominion Bank v. Leigh Instruments Ltd. (Transfer of), (1997), 32 O.R. (3d) 575 (Gen. Div.)

   The underlying rationale for this privilege is to enable open communication between lawyer and client so as to facilitate delivery of legal counsel and access to justice. It recognizes that the relationship and the communications between solicitor and client are essential to the operation of the legal system and adversarial process.

   > General Accident Assurance Company v. Chrusz (1999), 45 O.R. (3d) 321 (Ont. C.A.)

   Solicitor-client privilege is meant to foster a relationship, the solicitor-client relationship.

While there are three elements to establishing solicitor-client privilege the Supreme Court of Canada has held that in the context of a lawyer's general retainer there is a presumption that all information flowing between lawyer and client is confidential, though it is a rebuttable presumption.

> Foster Wheeler Power Co. v. Société intermunicipale de gestion et d'élimination des déchets (SIGED) inc., [2004] 1 S.C.R. 456, 2004 SCC 18

All in house lawyers have a general retainer from their corporation. So on a practical basis only the first two elements of solicitor-client privilege need be established. The third element is presumed unless rebutted.

Not all communications between lawyer and client are protected. It is only those communications whose purpose was to seek or provide legal advice.

So for example documents emanating from in-house counsels office setting out general corporate policy rather than specific legal advice of counsel were held not to be privileged.

> Toronto-Dominion Bank v. Leigh Instruments Ltd. (Transfer of) (1997) 32 O.R. (3d) 575 (Gen. Div.)

But where it is not possible to disentangle legal and business advice then the whole is protected.

English courts, whose decisions have precedent value in Canada, have held that "… legal advice is not confined to telling the client the law; it must include advice as to what should prudently and sensibly be done in the relevant legal context."

> Balabel v. Air India, [1988] Ch. 317 (C.A.)
>
> Three Rivers District Council v. Governor and Company of the Bank of England, [2004] UKHL 48

Privilege will attach where the requester needs the advice in order to understand the requester's own legal position. It will not attach where the advice merely fulfills a general, informational purpose.

Note for example that "training and instructional records designed for general application" may not be subject to solicitor-client privilege.

> Ministry of Community and Social Services v. Cropley (2004), 70 O.R. (3d) 680 (Div. Ct.)

Also facts contained within a privileged communication are not protected if they are relevant to a proceeding.

Where a solicitor has knowledge of material facts and he acquired that knowledge from sources other than his client, he may be required to answer questions regarding those facts.

> Signcorp Investments Ltd. v. Cairns Homes Ltd. (1988), 24 C.P.C. (2d) 1 (Sask. Q.B.)
>
> Ontario (Securities Commission) v. Greymac Credit Corp. (1983), 41 O.R. (2d) 328 (Div. Ct.)

And solicitor-client privilege does not apply if the purpose of the communication was to further crime or fraud.

3. <u>What other parallel legal privilege or confidentiality concepts exist in Canada?</u>

Solicitor-client privilege is sometimes confused with litigation privilege which is also referred to in Canada as solicitor's brief privilege or as legal brief privilege.

Litigation privilege applies to all communications between lawyer, client and third parties for the dominant purpose of addressing pending or reasonably contemplated litigation and to documents created for such purpose.

> General Accident Assurance Company v. Chrusz (1999), 45 O.R. (3d) 321 (Ont. C.A.)

Litigation privilege attaches only if the communication was made for the dominant purpose of reasonably contemplated litigation. It is a dominant purpose test. The test has three elements:

1. The document must have been produced with the contemplated litigation in mind;
2. The document must have been produced for the dominant purpose of receiving legal advice or as an aid to the conduct of litigation; and
3. The prospect of litigation must be reasonable. This means that a document that existed before contemplation of litigation but is given by the client to the solicitor for the purpose of the action is not necessarily privileged.

> R.P. Manes and M.P. Silver, Solicitor-Client Privilege in Canadian Law (Toronto: Butterworths, 1993)

Unlike solicitor-client privilege which exists to foster a relationship, litigation privilege exists to foster a process, the litigation process. It creates a zone of privacy for the litigator to investigate and prepare a case for trial.

Unlike solicitor-client privilege, litigation privilege is not limited to communications between lawyer and client. Litigation privilege can apply to any communication between or document created by the lawyer, the client or a third party expert for the dominant purpose of addressing pending or reasonably contemplated litigation.

Litigation privilege applies to all third-party communications when they are made in confidence and for the purpose of trial preparation.

> M.L. Waddell, "Litigation Privilege and the Expert: In the Aftermath of Chrusz (2001) 20 Advocates v. Soc. J. 10

If pending or reasonably contemplated litigation is only one of the purposes for which the document was created and not the dominant purpose it will likely not be protected by litigation privilege.

> General Accident Assurance Company v. Chrusz (1999), 45 O.R. (3d) 321 (Ont. C.A.)

4. <u>To whom does the solicitor-client privilege belong?</u>

Solicitor-client privilege belongs to the client.

The Supreme Court of Canada has ruled that solicitor-client privilege is a constitutional right of the client pursuant to the unreasonable search and seizure provision of Canada's Charter of Rights and Freedoms which is part of the Constitution of Canada.

> Three cases heard together: Lavallee, Rackel & Heintz v. Canada (Attorney General); White, Ottenheimer & Baker v. Canada (Attorney General) and Rv Fink, 2002 SCC 61.

The client is not obligated to disclose the content of any such privileged communication and the lawyer is not allowed to disclose any such communication unless the client elects to waive privilege.

In the case of a corporation the privilege belongs to the company and not to its employees or lawyers whether in-house or outside.

Thus solicitor-client privilege accommodates the concept of clients and lawyers acting through agents. Privilege will attach where a corporation communicates with legal counsel through its directors, officers or employees for the purpose of obtaining legal advice. Similarly such communications remain protected if they pass through a legal assistant, paralegal or law student employed by the lawyer or when they pass through a translator who facilitates communication between a lawyer and client who speak different languages.

Solicitor-client privilege can also accrue to the corporation where it engages a third party expert such as an accountant or actuary to place a given fact situation before lawyers retained by the company for the purpose of obtaining legal advice for the company on that fact situation.

> Cineplex Odeon Corporation v. Canada (Minister of National Revenue, Taxation) (1994) 114 D.L.R. (4th) 141 (Ont. Gen. Div.)

The common thread in the foregoing examples is that the agent or third party is acting as a channel of communication between the lawyer and the client. There privilege can attach.

It is important to distinguish between third parties employed by the client to obtain legal advice of the solicitor and those retained only to perform certain work for the client relating to the obtaining of legal advice. Communications of the former are protected by solicitor-client privilege, but communications of the latter are not.

> General Accident Assurance Company v. Chrusz (1999), 45 O.R. (3d) 321 (Ont. C.A.)

Corporate subsidiaries who consult with in-house counsel at the parent company can also be covered by solicitor-client privilege. They can be thought of as being additional clients.

5. <u>How long does privilege last? Can it be lost?</u>

Solicitor-client privilege lasts forever, unless waived. Privilege, once created, can be lost through waiver.

If the client voluntarily discloses privileged communications, that is an express waiver of privilege. If the client's conduct demonstrates an intention to no longer treat the document or communication as confidential, courts may find that there was an implied waiver.

> R.P. Manes & M.P. Silver, Solicitor-Client Privilege in Canadian Law (Toronto: Butterworths, 1993)

For example if a privileged communication or litigation work product is disclosed to others, this may be deemed to have waived the privilege formerly attaching thereto. Generally disclosure to outsiders of privileged information constitutes waiver of privilege.

> Supercom of California Ltd. v. Sovereign General Insurance Co., (1998), 37 O.R. (3d) 597 (Gen. Div.)

As well, overly broad distribution of a communication or document within a company, particularly if not accompanied by caution to keep it confidential, may be deemed to be a waiver of privilege.

Other examples of waiver of privilege include the following:

- where the communication was put in evidence in a previous action
- where the privileged communication is referred to in an affidavit
- where the communication is addressed as evidence at trial. If part of a privileged communication is released at trial, then privilege has been waived for the entire communication, unless the communication is severable because it deals with different matters.
- if significant contents of a communication are disclosed or sufficient reliance is placed on the communication in a pleading.
- if in the course of discovery, the party asserting privilege refers to the privileged communication and that reference forms part of the party's evidence.

> R.P. Manes & M.P. Silver, Solicitor-Client Privilege in Canadian Law (Toronto: Butterworths, 1993)

Recent jurisprudence suggests the emergence in Canada of a "limited waiver" concept.

Until recently the sharing of privileged solicitor-client communications by a client with its accountants for audit purposes was deemed to be waiver of privilege.

> Cineplex Odeon Corporation v. Canada (Minister of National Revenue, Taxation) (1994) 114 D.L.R. (4th) 141 (Ont. Gen. Div.)

However, a recent ruling by the Divisional Court of Ontario concluded that given a company's statutory obligation to provide its auditor with whatever documents the auditor may request (i.e. S.153 (5) of the Business Corporations Act (Ontario)) and the public policy rationale for encouraging full and frank disclosure, when a company provides a privileged document to its auditor for the purpose of the audit, the document remains protected by the privilege against any further disclosure.

> Philip Services Corp., (Receiver of) v. Ontario Securities Commission [2005] O.J. No. 4418 (Div. Ct.)

The Philip Services case may present opportunity for a limited waiver claim in other circumstances where disclosure is mandated by regulation or by order of a regulator.

It should also be noted that the sharing of privileged documents with accountants for other than 1) audit purposes or 2) to enable the accountants to act as agent for the client in securing legal advice from counsel will likely be deemed to be a waiver of privilege.

> Susan Hosiery Ltd. v. Minister of National Revenue, [1969] 2 Ex. C.R. 27 (Ex. Ct.)

As to litigation privilege, the prevailing view seems to be that the privilege extending to communications/documents created for the dominant purpose of addressing one piece of litigation ends with that litigation.

6. What obligations are imposed on lawyers in Canada in respect of solicitor-client privilege?

Lawyers have a common law obligation to maintain privilege. Failure to do so could expose them to civil liability.

Lawyers also have an ethical obligation, as for example under the Ontario Rules of Professional Conduct, to maintain client confidences. Failure to do so can result in disciplinary action.

7. Does solicitor-client privilege extend to in-house counsel in Canada?

"Solicitor-client privilege applies to a broad range of communications between lawyer and client and applies with equal force in the context of advice given . . . by in-house counsel as it does to advice given in the realm of private law. If an in-house lawyer is conveying advice that would be characterized as privileged, the fact that the lawyer is "in-house" does not remove the privilege and does not change its nature."

> Pritchard v. Ontario (Human Rights Commission), [2004] I S.C.R. 809, 2004 SCC31
>
> See also:
> Nova Aqua Salmon Ltd. Partnership (Receiver and Manager of) v. Non-Marine Underwriters, Lloyds, London, [1994] N.S.J. No 418 (S.C.)

Despins v. St. Albert (City), [1990] A.J. No. 43 (Q.B.-M)

Rv. CIBC Mellon Trust Co., [2000] O.J. No. 4584 (S.C.J.)

Solicitor-client privilege can attach to communications between in-house counsel and the employer/client company but only if the communication is made in the context of the solicitor-client relationship for the primary purpose of requesting or providing legal advice and is intended to remain confidential.

Toronto-Dominion Bank v. Leigh Instruments Ltd. (Trustee of) (1997),32 O.R. (3d) 575 (Gen. Div.)

Alfred Crompton Amusement Machines Ltd. v. Customs and Excise Commissioners (No. 2) [1972] 2 Q.B. 102 (C.A.)

Canary v. Vested Estate Ltd. [1930] W.W.R. 996 (B.C.S.C.)

Whether solicitor-client privilege will attach to communications with in-house counsel will depend on the nature of the advice that is given, the purpose of the recipient in asking for it and the way it is disseminated within the organization.

Solicitor-client privilege only extends to communications with in-house counsel in his capacity as legal advisor and not in any business capacity. A communication will only be protected by privilege if it is made in the context of a solicitor-client relationship, that is, in the course of a request for or the provision of legal advice.

Re Ontario Securities Commission and Greymac Credit Corp. (1983), 41 O.R. (2d) 328 (Div. Ct.)
- held that the president of the corporation, who was a lawyer, could not assert solicitor-client privilege in respect of information he had acquired in the performance of functions that could have been performed by a non-lawyer, employee or agent of the company.

Potash Corp. of Saskatchewan v. Barton, 2002 SKQB 301
- When in-house counsel performs work in some other capacity, such as executive or board secretary, information is not acquired in the course of the solicitor-client relationship and no privilege attaches.

R. v. Campbell, [1999] 1 S.C.R. 565
- No solicitor-client privilege attaches to advice on purely business matters even where it is provided by a lawyer.

Privilege can be prevented from attaching to in-house counsel documents in the following circumstances:

a) in-house counsel who hold other positions communicate legal advice to the corporation in one of their non-legal capacities;
b) the communication does not seek or offer legal advice;
c) the communication was not intended to be confidential; and
d) the document was not prepared primarily for use in relation to litigation.

P.J. Pliszka, "How to Get and Keep Solicitor-Client Privilege: Tips for in-house counsel" (1997) 6 Canadian Corporate Counsel 114

8. Does solicitor-client privilege attach to advice provided by foreign counsel?

Canadian jurisprudence seems to be increasingly moving towards recognizing solicitor-client privilege where legal advice is provided by counsel who is not licensed in the jurisdiction in which the advice is provided or otherwise qualified to advise in respect of the laws in question.

Morrison-Knudson v. British Columbia Hydro and Power Authority (1971) 19 D.L.R. (3d) 726 (B.C.S.C.)
- rejected concept that a legal advisor is one whose name appears on the official rolls of the forum.

Hertz Canada Inc. v. Colgate-Palmolive Co. (Ont. H.C.), [1988] O.J. No. 663
- to hold otherwise would be incompatible with the reality of modern international trade and commerce.

Mutual Life Assurance Co. of Canada v. Canada (Deputy Attorney General) [1988] O.J. No. 1090 (H.C.J.)
- Revenue Canada demanded documents in which Mutual Life's Canadian lawyers advised on points of American law. The court upheld Mutual Life's claim of privilege on the basis that it would be unduly restrictive if the privilege were to be confined to communications of Ontario lawyers invoking only Canadian and Ontario law.

Quinn v. Federal Business Development Bank, [1997] N.J. No. 105 (T.D.)
- The fact that counsel was not a member of the Bar of Newfoundland had no impact on the privilege claim.

Gower v. Tolko Manitoba Inc. [2001] M.J. No. 39
. . . so long as one of the parties to the communications is a lawyer, though perhaps not called to the bar of the jurisdiction in which the issue arises, legal advice privilege attached . . . To hold otherwise would be to ignore the realities of the modern practice of law . . .The real inquiry should focus on the purpose of the relationship and the communications arising therefrom rather than a solicitor's place of call or residence.

Copthorne Holdings Ltd. v. Canada, [2005] T.C.J. No. 345 (T.C.C.)
- Documents contained comments on points of American law by Copthorne's Canadian lawyers that were directed to the corporation's American lawyers. Following Mutual Life, the court ruled that as Copthorne was a global enterprise, it was required to employ multiple law firms. As such, privilege applied to the documents exchanged between those firms, even if the Canadian lawyers were commenting on matters outside their local professional scope.

The important point in these cases is that the person providing the legal advice was in fact a professionally qualified lawyer which is an important distinction from the line of cases that refused to recognize privilege for advice given by patent agents.

Whirlpool Corporation and Inglis Limited v. Camco Inc. and General Electric Company, April 11, 1997, Federal Court

So by extension, advice by an individual with a law degree, but no call to the Bar in any jurisdiction, would probably not be privileged unless given under the direction of a qualified lawyer.

So it is likely safe to say that, in Canada, in-house counsel don't need to be called in the jurisdiction in which they are working for privilege to apply.

Prior to these cases the prevailing view in Canada originating with Re United States of America v. Mammoth Oil Co. was not to recognize solicitor-client privilege when legal advice was provided by foreign counsel.

Re United States of America v. Mammoth Oil Co., (1925), 56 O.L.R. (635) (C.A.)
- Solicitor-client privilege could not be invoked where a Canadian lawyer gave advice in the United States to an American on a point of American law.

William H. Rover (Canada) Ltd. v. Johnson & Johnson (1980), 48 CPR (2d) 58 (FCTD)
- For privilege to attach the legal advisor with whom the plaintiff communicated must have been professionally qualified to advise it in respect of Canadian law.

9. Is there greater challenge in Canada in establishing solicitor-client privilege when the client communication is with in-house counsel versus outside counsel?

   It would appear that Canadian courts look more closely at whether or not solicitor-client privilege applies where in-house counsel is involved.

   This follows from the fact that in-house counsel are often called upon for their views on business rather than pure legal issues and may in fact also have an additional business role such as head of corporate affairs or government relations. Since solicitor-client privilege only applies to communications occurring in the context of a solicitor-client relationship for the purpose of seeking or giving legal advice courts can be expected to examine carefully whether the communication and the facts surrounding it meet these tests.

10. Is solicitor-client privilege impacted if the communication originates from or resides in the European Union?

    While communications provided by foreign counsel may be privileged under Canadian law, there is risk that if the communications are made by in-house counsel based in the European Union or by outside counsel not licensed to practice in the European Union, those communications will not qualify for privilege protection in the European Union. So there is potential that a communication privileged in Canada could nevertheless be obtained by bringing proceedings in the European Union against a European affiliate or subsidiary.

    In the European Union there is no protection for the confidentiality of communications between in-house counsel and their corporate client. Also, privilege will not attach to confidential legal advice provided to a corporation by outside independent counsel who are not entitled to practice in a member state of the European Union.

    AM & S Europe Ltd. v. EC Commission, [1982] ECR 1575

11. Does solicitor-client privilege apply where counsel conducts internal investigations for the client?

    Unless the purpose of having counsel conduct an investigation is to enable he or she to provide legal advice to the corporation it is not likely that any report or other documentation created by or for counsel in consequence of the investigation will qualify for a claim of solicitor-client privilege. For example, a simple report of fact-

finding will not be privileged per se unless created for the purpose of enabling counsel to provide legal advice.

Gower v. Tolko (2001), D.L.R. (4th) 716 (Man. C.A.)

Reports prepared by third parties at counsel's request, whether in the course of an investigation or otherwise, will not sustain a claim for solicitor-client privilege unless they were prepared for the purpose of enabling counsel to provide legal advice to the client.

Hydro One Network Services Inc. v. Ontario (Ministry of Labour), [2002] O.J. No. 4370 (S.C.J.)

Re Prosperine (2002), 37 C.B.R. (4th) 135 (Ont. S.C.J.)

Third party or experts' reports prepared prior to or without contemplation of counsel being retained to conduct an investigation for the purpose of providing legal counsel are not likely to qualify for a claim of solicitor-client privilege.

College of Physicians & Surgeons (British Columbia) v. British Columbia (Information & Privacy Commissioner), [2003] 2 W.W.R. 279 (B.C.C.A.)

Prosperine v. Ottawa-Carleton (Regional Municipality), [2002] O.J. No. 3316 (S.C.J.)

All that said, the Supreme Court of Canada has, over the past six years or so, shown a bias toward guarding solicitor-client privilege. As a practical matter therefore Canadian courts are looking for hooks on which to find privilege. So if counsel can paper the internal investigation correctly to show intention to maintain confidentiality and provide an "easy out" for courts to find in favour of privilege there is reasonable likelihood that privilege will apply to internal investigation reports and related materials.

So for example facts could be deemed privileged even if collected by a business person if they are requested in writing by counsel with the mention that they are required by counsel for the purpose of providing legal advice. And the memo coming from the business person should be marked as "Privileged-facts gathered for the purpose of securing legal advice." And keeping such fact memos in a separate file marked "privileged and confidential" will likely boost the privilege claim.

12. <u>What can in-house counsel do to enhance the ability to successfully claim solicitor-client privilege in Canada?</u>

In-house counsel has a duty to the client to ensure that all reasonable steps have been taken to safeguard the client's claim to solicitor-client privilege. These steps could include, among others, the following:

a) In-house counsel who have non-legal job titles in addition to a legal counsel title should delete their non-legal titles on any communications for which privilege may be claimed.
b) Counsel who also serve in one or more business capacities should indicate that they are writing in their capacity as corporate counsel for the purpose of giving legal advice.
c) Communicate legal advice using Legal Department stationary rather than general corporate stationary.
d) Avoid mixing law and business in the same document or attaching a privileged document to a public record such as corporate minutes.
e) Written communications between in-house counsel and employees should be identified therein as being for the purpose of giving or receiving legal advice.
f) Written requests to employees for information needed to obtain or give legal advice should be identified therein as being a request for facts so that legal advice may be given.
g) Caution recipients of privileged communications to keep them confidential, as for example by making the document "Confidential Legal Advice - Do Not Copy or Further Transmit."
h) Ensure that privileged documents are only circulated on a need-to-know basis and that the rationale for including each recipient in the distribution list is made clear in the document.
i) Keep separate files for privileged and non-privileged documents.
j) Wherever possible, communications and documents should include statements associating them with specific litigation matters.
k) Mark documents covered by litigation privilege with statements such as "prepared for the purpose of litigation" or "prepared on the instructions of counsel for the purpose of litigation."
l) Give careful consideration to the capacity in which the company solicits a legal opinion. For example recent British Columbia court decisions held that where a legal opinion has been solicited to permit proper administration of a pension plan or trust, a privilege claim will not prevail as against the beneficiaries. To support a privilege claim in this circumstance the plan sponsor should seek the opinion as employer and not as plan administrator or plan trustee.

Cooke v. Canada, B.C. Court of Appeal

Camosun College Faculty Association v. College Pension Board of Trustees, 2004 B.C. Supreme Court

m) When leading an internal investigation consider the following additional steps.

- Have the client sign a written retainer or instruction memo that specifies that counsel is to conduct the investigation on behalf of the company in his capacity as legal counsel and not as business advisor for the purpose of ascertaining facts upon which to provide legal advice to the company.
- Advise all witnesses that you are conducting the investigation as legal counsel for the corporation and that the interview is being conducted for the purpose of gathering factual information in order to provide legal advice to the corporation.
- Inform each interviewee that the information being discussed during the interview is confidential and should not be discussed with anyone else.
- Mark all documents "do not duplicate" and "solicitor-client privilege, do not release to third parties."
- Counsel should restrict circulation of all communications and reports emanating from the investigation to an "absolutely need-to-know" list.
- Disclosure of documents to third parties should be pursuant to a confidentiality agreement prohibiting further dissemination of the materials.
- A very instructive case in this area is Gower v. Tolko Manitoba Inc. [2001] M.J. No. 39.

n) Where legal advice is being provided to affiliates in the European Union consider the following:

- Provide counsel only through outside counsel licensed in the European Union.
- Send Canadian legal advice through outside European counsel who could append the non-European Union advice to a "privileged" communication of their own to the affiliate.
- Maintain all privileged materials in the files of European outside counsel rather than in-house in a European location.

o) A very good case to read by way of illustration of many of the foregoing points is Toronto-Dominion Bank v. Leigh Instruments, 32 O.R. (3d) 575 (1997).

RESOURCES

Publications

1. Solicitor-Client Privilege, H. Martin Kay, Q.C. and Brenda Johnson, Bennett Jones LLP, June 2006.

2. Recent Developments in Solicitor-Client Privilege: In-House Counsel and the Challenge of Protecting Rights, Neil Guthrie, Stikeman Elliott LLP, February 2006.

3. Stikeman Elliott, Litigation Update, November 2005.

4. Blakes Bulletin On Pension & Employee Benefits, Blake Carsels & Graydon LLP, September 2005

5. Regulatory Update and New Case Developments In the Pension Area, Caroline L. Helbronner, Blake Cassels & Graydon LLP, November 2, 2004.

6. Solicitor & Client Privilege. A brief perspective from in-house counsel, Robert Patzelt, Scotia Investments Limited, April 20, 2004.

7. Solicitor-Client Privilege - Some Misconceptions, Lisa Peters, Lawson Lundell, February 25, 2004.

8. Procedure for Determining Solicitor-Client Privilege Claims Deemed Unconstitutional by Supreme Court of Canada, Gavin Murphy, January 2003.

9. Tackling the Key Procedural and Evidentiary Issues in Drug and Device Litigation, Phil Spencer Q.C., Shayna Deloritch, Melody Chen and Tanya Chow, Cassels Brock & Blackwell LLP, 2003.

10. Solicitor-Client Privilege In the Corporate Setting: An Ounce of Prevention, A Pound of Cure, D. Martin Low and Mark Young, McMillan Birch, April 2002. I am further indebted to Mr. Low for updating for me his comments on foreign lawyers which updates are captured in this paper.

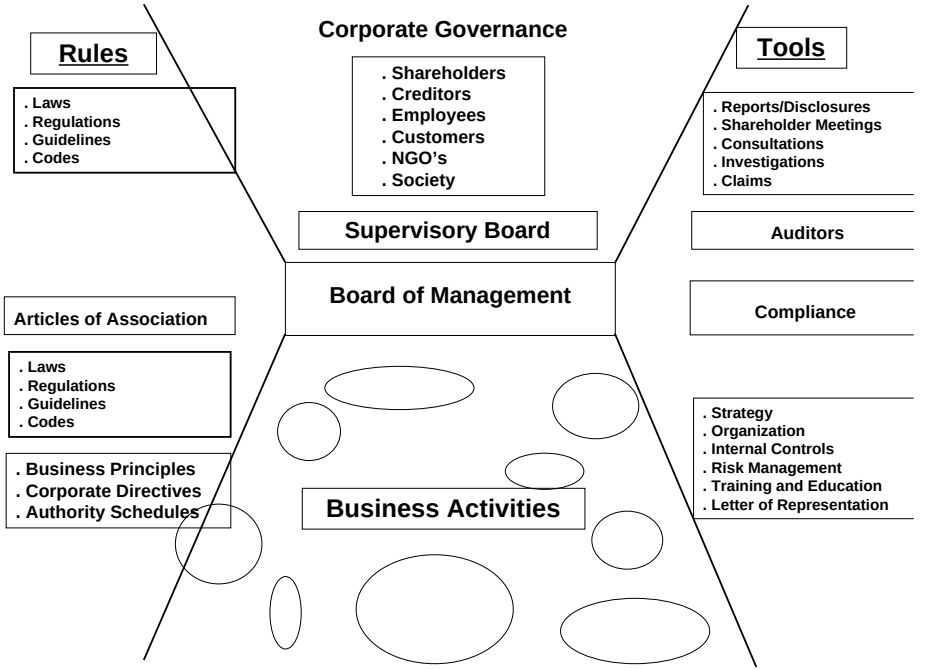
Audio

1. Update on Current Privilege Issues: What is 'Privilege'? What and Who is 'Privileged"?, Ontario Bar Association, Corporate Counsel Section, December 7, 2005.

2. Privilege: A Minefield for Corporate Counsel, Ontario Bar Association, Corporate Counsel, May 5, 2004.

Inhouse Legal Privilege as Compliance Tool in Corporate Governance

Jan Eijsbouts



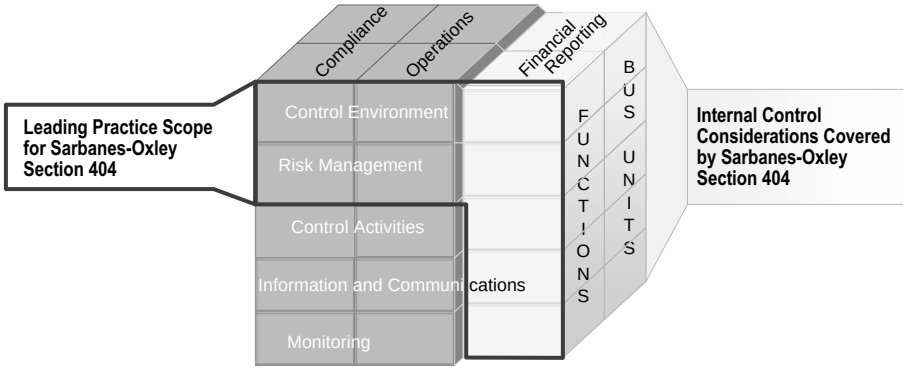
COSO FRAMEWORK

DEFINITION OF INTERNAL CONTROL:

A process, effected by an entity's board of directors, management and other personnel, designed to provide **REASONABLE** assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

COSO model and Internal Control covered in Sarbanes Oxley



The Legal Imperative of Compliance

- **General: fiduciary duty/duty of care of Boards**
- **SOX – SEC : CEO/CFO SOX 404 certification**
- **Nasdaq: Code of Conduct with compliance system including monitoring and enforcement (CG certification)**
- **Tabaksblat (NL): Code of Conduct as element of Risk Management and Control system including monitoring and reporting ("in control statement")**
- **US Federal Sentencing Guidelines for Corporations 2004: compliance system requirements reinforced and recommended broadening of scope from criminal laws to all fields of law**

Compliance

The General Counsel Round Table Definition

"The decisions made and the process created to protect the company from economic and reputational harm stemming from civil or criminal allegations made by private parties or government regulators for arguably improper, unethical, or illegal action or inaction"

The elements of a Compliance Program

- Identify and prioritize critical compliance (legal and ethical) risks
- Educate employees through effective compliance training
- Embed a focus on compliance in the business
- Measure the effectiveness of the compliance program (monitoring and assessment – NB Privilege)

COMPLIANCE and EU Competition Law Reform

- EU notification system under Article 81.3 replaced by exception légale per May 1, 2004
- Self-assessment (privilege)

THE AKZO NOBEL EU LPP CASE

- History and context
- Three issues:
  - What type of documents
  - What kind of legal counsels
  - What procedure to be followed
- Case Status

IMPLICATIONS FOR ASSOCIATIONS OF IN-HOUSE COUNSEL

President:

"……..provided that the lawyer is subject to rules of professional conduct equivalent to those imposed on an independent lawyer".

AN IN-HOUSE LAWYER'S GUIDE TO THE ATTORNEY-CLIENT PRIVILEGE AND WORK PRODUCT DOCTRINE

Thomas E. Spahn
McGuireWoods LLP

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   d. Jointly Represented Clients
   e. Common Interest Agreement Participants
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   a. Intentional Disclosure
   b. Inadvertent Disclosure
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5. Federal Rule of Evidence 612
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   b. Explicit Reliance on Legal Advice
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7. Subject Matter Waiver
   a. Intentional Express Waiver
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II. WORK PRODUCT DOCTRINE
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      2. Source of Work Product Protection
      3. Choice of Laws
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I. ATTORNEY-CLIENT PRIVILEGE

A. Introduction

1. Importance of the Attorney-Client Privilege

The attorney-client privilege represents perhaps the most important legal doctrine that lawyers must learn.

The attorney-client privilege potentially applies every time that lawyers communicate with their agents, their clients, or their clients' agents.

Because the privilege can be subtle and complicated, clients cannot be expected to understand it.

- This means that lawyers necessarily play the primary role in properly creating the privilege, teaching their clients about the privilege and avoiding its waiver.

Because the privilege often covers communications that are frank and self-critical (which, as explained below, is the very purpose of the privilege), improperly creating the privilege or losing it later can have disastrous results.

- Cases are lost every day because lawyers or improperly trained clients do not correctly create the privilege, or lose the privilege

Lawyers making mistakes can lose their clients, be sued in malpractice cases and (because of the ethical duty discussed below) sanctioned by the bar.

2. Difference Between the Attorney-Client Privilege and the Ethical Duty of Confidentiality

The ethical duty of confidentiality sometimes parallels the attorney-client privilege, but has a different source, a different purpose and a different scope.

The ethical duty of confidentiality comes from each state's ethics rules (rather than the common law).

The ethical duty applies at all times, and does not arise only when a third party seeks access to attorney-client communications.

- In contrast, the attorney-client privilege is an evidentiary rule that protects certain limited communications from a disclosure if a third party seeks to discover them.

Under most formulations of the ethical duty, lawyers must preserve the confidentiality of "information relating to the representation of a client." ABA Model Rule 1.6(a).

- The old ABA Model Code of Professional Responsibility followed a different approach. The ABA Model Code required lawyers to preserve the confidentiality of "confidences" and "secrets." The old ABA Model Code defined "confidence" as "information protected by the attorney-client privilege under applicable law," and defined "secret" as "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." ABA Model Code DR 4-101(A).

- Some states continue to follow this old ABA Model Code approach. See, e.g., Virginia Rule 1.6(a).

ABA Model Rule 1.6 cmt. [3] explains the relationship between the attorney-client privilege (and work product doctrine) and the broader ethical duty of confidentiality.

- ABA Model Rule 1.6 cmt. [3] ("The principle of client-lawyer confidentiality is given effect by related bodies of law: the attorney-client privilege, the work product doctrine and the rule of confidentiality established in professional ethics. The attorney-client privilege and work-product doctrine apply in judicial and other proceedings in which a lawyer may be called as a witness or otherwise required to produce evidence concerning a client. The rule of client-lawyer confidentiality applies in situations other than those where evidence is sought from the lawyer through compulsion of law. The confidentiality rule, for example, applies not only to matters communicated in confidence by the client but also to all information relating to the representation, whatever its source. A lawyer may not disclose such information except as authorized or required by the Rules of Professional Conduct or other law.").

Thus, the ethical duty will cover information that the privilege does not protect.

- Examples include the client's identity, the amount of fees paid, information about a client obtained from public records or from some third party.

3. Source of Privilege Law

a. History of the Attorney-Client Privilege

The attorney-client privilege is the law's oldest recognized protection from disclosure.

- The privilege's roots go back at least to Elizabethan times. United States v. (Under Seal), 748 F.2d 871, 873-74 (4th Cir. 1984).

b. State Law

Each state has developed its attorney-client privilege principles organically -- through the common law.

- Although some states have incorporated all or part of their privilege law in statutes, most states continue to recognize the privilege in the common law tradition. Restatement (Third) of Law Governing Lawyers § 68 cmt. d (2000).

- Some states express their privilege law through a mixture of statutory and common law. Cline v. Reliance Trust Co., No. 1:04-CV-02079, 2005 U.S. Dist. LEXIS 26066, at *7 (N.D. Ohio Oct. 31, 2005) (explaining that "Ohio's attorney-client privilege laws can be found both in the Ohio Revised Code and in the common law of the state"); In re Investigating Grand Jury, 887 A.2d 257 (Pa. Super. Ct. 2005) (making the same observation about Pennsylvania privilege law).

c. Federal Common Law

Federal courts have also developed a "federal common law" set of attorney-client privilege principles. Swidler & Berlin v. United States, 524 U.S. 399 (1998).

d. Extent and Effect of Variations in the Privilege Law

Thankfully for lawyers who are trying to directly apply the attorney-client privilege, most states follow a standard formulation of the privilege. In re Diet Drugs Prods. Liab. Litig., MDL No. 1203, 2001 U.S. Dist. LEXIS 5494, at *19 n.3 (E.D. Pa. Apr. 19, 2001).

- Ironically, there is less variation among the states' attorney-client privilege principles than among federal courts' interpretation of the identical federal rule on the work product doctrine (discussed below).

On the other hand, some differences might create a problem for corporations.

- For instance, Illinois continues to follow the "control group" test for the privilege.

- As explained below, this approach applies the privilege only to communications between a company's lawyers and those with decision-making authority (and those on whom the decision-makers rely for providing advice about the decisions).

- A company litigating in Illinois might find that the Illinois court will apply the Illinois privilege law -- meaning that the court will find unprotected communications taking place in other states that both the lawyers and the clients thought at the time would be protected by a law other than Illinois's.

4. Choice of Laws

As mentioned above, most jurisdictions follow essentially the same basic principles governing the attorney-client privilege.

- This is welcome news, because determining exactly which law applies can be a nightmare.

Because the attorney-client privilege is tested, vindicated, or lost in litigation, it is helpful to examine what law courts addressing the privilege will select for determining privilege issues.

- This is not to say that transactional lawyers can always rely on their litigation colleagues to understand and apply privilege issues.

- On the contrary -- transaction lawyers are much more responsible than litigators for properly creating the privilege.

- They are also more likely than litigators to lose the privilege by either themselves sharing privileged communications with someone outside the intimate attorney-client relationship, or failing to warn their clients against doing so.

a. State Court Litigation

In state court litigation, courts use standard choice of law principles to determine what state's privilege will apply.

- This might be an easy task in very certain limited litigation.

- For instance, a state court dealing with a company having employees only in that state communicating between themselves (or with their lawyer) only in that state will usually (but not always) apply that state's attorney-client privilege law.

However, in today's world, such scenarios seem rare. In a more typical situation, a company with headquarters in one state and manufacturing sites or sales offices in many states will want to protect communications between its employees and lawyers in yet other states, perhaps involving transactions taking place elsewhere, sometimes even with a foreign element (discussed in more detail below).

b. Federal Court Litigation

In federal court, the situation is even more complicated.

- Courts handling federal question cases in federal court will apply federal common law to privilege issues. Kline v. Gulf Ins. Co., No. 1:01-CV-213, 2001 U.S. Dist. LEXIS 20603 (W.D. Mich. Nov. 26, 2001); In re Pioneer Hi-Bred Int'l, Inc., 238 F.3d 1370 (Fed. Cir. 2001).

- Most (but not all) federal court will also apply federal common law to any state law issues they are handling under their ancillary jurisdiction.

- Patent cases present a more complicated choice of law issue, because the Federal Circuit applies: (1) its own law to patent issues; and (2) regional circuit law to non-patent procedural issues. MPT, Inc. v. Marathon Durable Labeling Sys. LLC, No. 1:04 CV 2357, 2006 U.S. Dist. LEXIS 4998, at *8 (N.D. Ohio Feb. 9, 2006) (concluding that "the existence of the privilege will be determined by Federal Circuit law while waiver and the community of interest doctrine [usually called the "common interest" or "joint defense" doctrine] will be decided by Sixth Circuit law").

In diversity cases, federal courts will follow the choice of law rules of the state in which they are sitting. Satcom Int'l Group, PLC v. Orbcomm Int'l Partners, L.P., No. 98 CIV. 9095 (DLC), 1999 U.S. Dist. LEXIS 1553, at *2 (S.D.N.Y. Feb. 16, 1999).

State or federal courts searching for the appropriate privilege law under these choice-of-laws rules have applied the following privilege law:

- The law of the state where the privileged communication occurred. Nance v. Thompson Med. Co., 173 F.R.D. 178, 181 (E.D. Tex. 1997).

- The law of the state "where the evidence in question will be introduced at trial." G-I Holdings, Inc. v. Baron & Budd, No. 01 Civ. 0216 (RWS), 2005 U.S. Dist. LEXIS 14128, at *7 (S.D.N.Y. July 13, 2005); Satcom Int'l Group, PLC v. Orbcomm Int'l Partners, L.P., No. 98 CIV. 9095 (DLC), 1999 U.S. Dist. LEXIS 1553, at *1 (S.D.N.Y. Feb. 16, 1999).

- The law of the state where the discovery "is taking place." CSX Transp., Inc. v. Lexington Ins. Co., 187 F.R.D. 555, 559 (N.D. Ill. 1999).

- The law of the state where "the defendant's attorney-client relationships were formed." Note Funding Corp. v. Bobian Inv. Co., No. 93 CIV. 7427 (DAB), 1995 U.S. Dist. LEXIS 16605, at *2 (S.D.N.Y. Nov. 9, 1995).

- The law of the state indicated by the traditional "center of gravity" test. Hyde Constr. Co. v. Koehring Co., 455 F.2d 337, 341 (5th Cir. 1972).

- The law of the state where (i) the attorney-client relationship arose; (ii) the defendant was incorporated; (iii) the defendant had its principal place of business; and (iv) the defendant's law firm was located. McNulty v. Bally's Park Place, Inc., 120 F.R.D. 27, 31 (E.D. Pa. 1988).

- The law of the state where a party's litigation conduct implicated the waiver doctrine, rather than the state where the documents at issue were created. Baker v. General Motors Corp., 209 F.3d 1051, 1057 (8th Cir. 2000).

- The law of the state where the defendant was headquartered and its in-house counsel worked, rather than where its outside counsel was located. Interphase Corp. v. Rockwell Int'l Corp., No. 3-96-CV-0290-L, 1998 U.S. Dist. LEXIS 15111, at *4-5 (N.D. Tex. Sept. 22, 1998).

- The state law that the parties have designated as controlling. Bell Microproducts Inc. v. Relational Funding Corp., No. 02 C 329, 2002 U.S. Dist. LEXIS 18121, at *11 (N.D. Ill. Sept 24, 2002).

Given this varied approach to the controlling law, clients and their lawyers can have little confidence that they will be able to predict what privilege law will apply.

c. Possible Application of Foreign Law

To make matters even more complicated, American courts (both state and federal) sometimes look to foreign law when applying the attorney-client privilege.

- As with courts' search for the correct American privilege law, the results are unpredictable.

American courts have looked to the following foreign law:

- Foreign criminal laws, but only if they are analogous to American criminal laws. Madanes v. Madanes, 199 F.R.D. 135, 148 (S.D.N.Y. 2001).

- Foreign privilege law from the country where the pertinent document was written. SmithKline Beecham Corp., v. Pentech Pharms., Inc., No. 00 C 2855, 2001 U.S. Dist. LEXIS 18281, at *17 (N.D. Ill. Nov. 5, 2001).

- Foreign law, but only if the communications relate to an activity in the foreign country, and do not "touch base" with the United States -- which would require the application of United States privilege law. Tulip Computers Int'l B.V. v. Dell Computer Corp., 210 F.R.D. 100, 104 (D. Del. 2002).

- Foreign law, under general standards of international comity (if the foreign country has the most direct or compelling interest in the communication). Sphere Drake Ins. Ltd. v. All Am. Life Ins. Co., 221 F. Supp. 2d 874, 884 (N.D. Ill. 2002).

- Foreign law, to the extent that documents would generally not be subject to discovery in a foreign country -- even if the immunity from discovery is based on the narrow scope of discovery in the foreign country, rather than on its recognition of some privilege covering the documents. Astra Aktiebolag v. Andrx Pharms., Inc., 208 F.R.D. 92, 102 (S.D.N.Y. 2002).

5. Other Countries' Laws

In an increasingly worldwide economy, companies doing business in other countries should remember that not every country follows the Anglo-Saxon legal tradition.

As explained above, American courts sometimes look to foreign law in determining if communications deserve privilege protection.

- Clients and their lawyers should also remember that privilege issues can arise both in American courts and in foreign courts or other tribunals.

In some situations, other countries follow attorney-client privilege principles that prove more restrictive than those in the United States

- This is most pronounced in the case of in-house lawyers.
- Many European countries (especially those following the Napoleonic Code or civil tradition) generally do not protect communications to or from in-house lawyers.
- These countries apparently reason that in-house lawyers are not independent enough to deserve privilege protection.

This unfriendly approach often means that communications that would be privileged in the United States will be subject to discovery in Europe.

- The good news is that European discovery generally is fairly limited, so perhaps the risk is not as great as one might think at first blush.
- Still, in-house lawyers in the United States dealing with European affiliates or employees should remember that the files of those clients might be subject to discovery and ineligible for privilege protection.

On the other hand, communications that would not be privileged in the United States might deserve privilege protection if they occur in Europe.

- Lawyers working for accounting firms can give legal advice in Europe, which would deserve privilege protection.
- In the United States, lawyers working for accounting firms cannot independently give legal advice, so the only way their communications can deserve privilege protection is if they are assisting another lawyer in providing legal advice to a client (this would be very difficult to establish in most circumstances).

In some ways application of foreign law can expand a company's privilege protection in other ways.

- This is because American courts will often apply American privilege law to communications with foreign company agents that do not have a law degree -- but who perform jobs in their countries that are analogous to what lawyers perform in the United States (see below).
- For instance, American courts often will protect communications with foreign patent agents.
- This extension of the privilege is discussed below, in the "Lawyer Participants" section.

In-house lawyers working for companies with overseas operations should check the privilege law of the countries in which their clients operate.

- ACCA has compiled a useful appendium of how countries treat communications to and from in-house lawyers.
- Lex Mundi has also made data like this available on the Internet.

6. Competing Principles Underlying the Attorney-Client Privilege

Many counter-intuitive aspects of the attorney-client privilege come from the basic societal purpose of the privilege, and the tension inherent in its application.

The attorney-client privilege provides absolute protection when clients and lawyers follow the rules. In re Dow Corning Corp., 261 F.3d 280, 284 (2d Cir. 2001).

- Society provides this protection to encourage clients to provide all necessary facts to their lawyers, so that lawyers will guide their clients' conduct in the right direction, and resolve disputes. In re BankAmerica Corp. Sec. Litig., 270 F.3d 639, 641 (8th Cir. 2001); United States v. (Under Seal), 748 F.2d 871, 873-74 (4th Cir. 1984).
- The United States Supreme Court has rejected the notion of any "balancing test" in applying the attorney-client privilege. Swidler & Berlin v. United States, 524 U.S. 399, 409 (1998).
- Another federal court recently affirmed the importance of the attorney-client privilege by prohibiting a patent holder from arguing any adverse inference based on an alleged infringer's assertion of the privilege and refusal to

produce a non-infringement opinion. Knorr-Bremse Systeme Für Nutzfahrzeuge GmbH v. Dana Corp., 383 7.3d 1337 (Fed. Cir. 2004).

However, society pays a price for this protection -- because the privilege undeniably hampers the search for truth. In re Feldberg, 862 F.2d 622, 627 (7th Cir. 1988); United States v. (Under Seal), 748 F.2d 871, 875 (4th Cir. 1984).

The attorney-client privilege case law thus reflects a tension between this grand societal benefit (encouraging clients to disclose facts so that their lawyers will foster a lawful society) and the cost (keeping out of view forever what could be the most relevant communication).

As a result, the privilege is very difficult to create, is surprisingly fragile, and can be easy lost.

7. Key Concepts Underlying the Attorney-Client Privilege

Those considering the privilege should keep in mind the three key elements of the privilege -- doing so will often guide the analysis.

- The attorney-client privilege rests on **the intimacy of the attorney-client relationship**.
- The attorney-client privilege rests on the **confidentiality** within that intimate relationship.
- The attorney-client privilege rests on **communications** within that intimate relationship.

8. Basic Elements of the Attorney-Client Privilege

Under the most common formulation, determining if a communication deserves protection under the attorney-client privilege requires an analysis of six separate elements -- all of which must be satisfied for the privilege to apply.

The attorney-client privilege protects:

(1) Communications from a client.

(2) To a lawyer.

(3) Related to the rendering of legal advice.

(4) Made with the expectation of confidentiality.

(5) Not in furtherance of a future crime or fraud.

(6) As long as the privilege has not been waived.

It seems more logical to address the privilege in a slightly different fashion.

- The communication must involve two types of **participants**: clients and lawyers.
- The communication's **content** must directly involve legal advice.
- The communication must be made in the **context** of confidentiality.
- The **use** of the communication must not forfeit (waive) the protection.

B. Participants: Clients

1. Communications

a. Acts as Communications

The "communications" element can include a client's actions (such as moving documents), United States v. Freeman, 619 F.2d 1112, 1119 (5th Cir. 1980), or demeanor. Eason v. Eason, 123 S.E.2d 361, 367 (Va. 1962).

b. Uncommunicated Client Statements

Although the privilege generally rests on communications between clients and their lawyers, the privilege can sometimes protect statements that the client has not communicated to the lawyer -- if the client created the statement with the original intent to communicate it to a lawyer.

- For instance, the privilege can protect a client's "diary" or journal that the client creates at a lawyer's direction (to assist the lawyer in providing legal advice to the client) -- even if the client does not send the diary to the lawyer. Mason C. Day Excavating, Inc. v. Lumbermens Mut. Cas. Co., 143 F.R.D. 601, 607-09 (M.D.N.C. 1992) (addressing daily notes prepared by both the plaintiff and the defendant in a large construction case; holding that the privilege protected the plaintiff's log because the plaintiff created the log at the direction of a lawyer to assist the lawyer in giving legal advice; holding that the privilege did not protect the defendant's log, because the defendant created the log in the ordinary course of its business rather than to help a lawyer provide legal advice).

2. Individual Clients

The attorney-client privilege evolved over several hundred years with individuals as the "client" for analytical purposes.

Some basic attorney-client principles developed during this earlier time continue to apply (both to individuals and to corporations).

- The privilege belongs to the client and not to the lawyer (meaning that the client can assert or waive the privilege regardless of the lawyer's desires). United States v. Under Seal (In re Grand Jury Proceedings), 33 F.3d 342, 348 (4th Cir. 1994).

- The privilege normally covers communications between a lawyer and a prospective client. Hiskett v. Wal-Mart Stores, Inc., 180 F.R.D. 403, 405 (D. Kan. 1998).

- Lawyers representing more than one client on the same matter must (absent some agreement to the contrary) share information learned from one client with the other jointly represented client. Restatement (Third) of Law Governing Lawyers § 75 cmt. e (2000).

- The privilege extends beyond the client's death, and lasts forever. Swidler & Berlin v. United States, 524 U.S. 399 (1998).

- If it has been properly created and not waived, the privilege provides absolute protection. Swidler & Berlin v. United States, 524 U.S. 399 (1998) (rejecting the notion of any "balancing test").

3. Corporate Clients

a. General Rule

In the case of corporate clients, the basic principles are somewhat more difficult to apply.

Every state recognizes that corporations can enjoy attorney-client relationship with a lawyer. In re Grand Jury Proceedings, 219 F.3d 175, 185 (2d Cir. 2000).

- The privileged nature of communications with current and former corporate employees, and independent contractors hired by the corporation, are discussed below.

In some situations it may difficult to tell whether a lawyer represents a corporation or a separate group of constituents of the corporation.

- Ex parte Smith, No. 1050607, 2006 Ala. LEXIS 107 (Ala. May 12, 2006) (assessing a bankrupt company's trustee's motion for access to pre-bankruptcy communications between a group of outside directors and the group's law firm Skadden Arps; noting that the trustee argued that Skadden represented the corporation, which he now controlled; acknowledging that the company paid Skadden's bills, but also pointing to an explicit engagement letter indicating that the law firm represented just the outside directors and not the company; ultimately denying the trustee's request for access to the documents).

b. Communications among Affiliated Corporations

Most courts protect communications among related companies, even if they are not wholly-owned affiliates of each other. Admiral Ins. Co. v. United States Dist. Court, 881 F.2d 1486, 1493 n.6 (9th Cir. 1989); Cary Oil Co. v. MG Ref. & Mktg., Inc., No. 99 Civ. 1725 (VM) (DFE), 2000 U.S. Dist. LEXIS 17587, at *17 (S.D.N.Y. Dec. 6, 2000).

c. Corporate Successors' Ownership of the Privilege

As a corporate asset, the privilege generally passes to corporate successors (who can assert or waive the privilege) -- including bankruptcy trustees. Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343, 349 (1985); United States v. Campbell, 73 F.3d 44, 47 (5th Cir. 1996).

- However, a purchaser of a bankrupt company's stock (or even assets, as explained below) might be found to control the privilege.

d. Defunct Corporations

Courts disagree about whether a defunct corporation can assert the attorney-client privilege. Lewis v. United States, No. 02-2958 B/An, 2004 U.S. Dist. LEXIS 26680, at *12, *10, *14 (W.D. Tenn. Dec. 6, 2004) (holding that Baker Donelson could not assert the attorney-client privilege in responding to an IRS subpoena, because the law firm's former client "has no assets, liabilities, directors, shareholders, or employees"; noting that "courts are split over whether a corporation is entitled to protection from the attorney-client privilege after the corporation's 'death,'" the court concluded that "[t]he attorney-client cannot be applied to a defunct corporation.").

e. Corporate Transactions Involving Stock Sales

The purchaser of a corporation's stock generally steps into the shoes of the previous owner, and may assert or waive the privilege. Bass Public Ltd. Co. v. Promus Cos., No. 92 Civ. 0969 (SWK), 1994 U.S. Dist. LEXIS 5474, at *6-7 (S.D.N.Y. Apr. 25, 1994) (finding that the former owner of a corporate subsidiary could not block the current owner from seeking documents from the subsidiary's law firm that were generated before the transaction; noting that the former owner of the subsidiary could have avoided this result by addressing the issue in the transactional documents); Rayman v. Am. Charter Fed. Sav. & Loan Ass'n, 148 F.R.D. 647, 652 (D. Neb. 1993) ("a surviving corporation following a merger possesses all of the privileges of the pre-merger companies"); McCaugherty v. Siffermann, 132 F.R.D. 234, 245 (N.D. Cal. 1990) ("[T]he purchaser of a corporate entity buys not only its material assets but also its privileges. . . . Since the attorney-client privilege over a corporation belongs to the inanimate entity and not to individual directors or officers, control over privilege should pass with control of the corporation, regardless of whether or not the new corporate officials were privy to the communications in issue."); In re Grand Jury Subpoenas, 89-3 & 89-4, John Doe 89-129, 902 F.2d 244, 248 (4th Cir. 1990) (finding that the new management of a subsidiary created by divestiture could waive the privilege); Polycast Tech. Corp. v. Uniroyal, Inc., 125 F.R.D. 47, 51 (S.D.N.Y. 1989) ("Polycast acquired this authority to waive the joint privilege when it purchased the stock of Plastics. The power to waive the corporation's attorney-client privilege rests with corporate management, who must exercise this power consistent with their fiduciary duty to act in the best interest of the corporation. Just as Plastics' new management has an obligation to waive or preserve the corporation's privileges in a manner consistent with their fiduciary duty to protect corporate interests, Polycast, as parent and sole shareholder, has the power to determine those interests. Because there are ample grounds for a finding that the privilege is held jointly by Polycast and Uniroyal, and because Polycast acquired control over Plastics' privilege rights when it purchased the company, Polycast and Plastics' new management may now waive the privilege at their discretion." (internal citations omitted); finding that the purchaser of a subsidiary of Uniroyal was entitled to obtain copies of notes of the subsidiary's vice president that he prepared before the transaction).

- The purchaser and seller of the corporation's stock might be able to vary this rule in the purchase agreement. Medcom Holding Co. v. Baxter Travenol Labs, Inc., 120 F.R.D. 66, 70 (N.D. Ill. 1988).

f. Corporate Transactions Involving Asset Sales

Purchasers of a corporation's assets generally do not acquire the corporation's attorney-client privilege rights. Yosemite Inv., Inc. v. Floyd Bell, Inc., 943 F. Supp. 882, 883-84 (S.D. Ohio 1996); In re Grand Jury Subpoenas 89-3 & 89-4 & 89-129, 734 F. Supp. 1207, 1211 n.3 (E.D. Va.), aff'd in part, vacated in part, 902 F.2d 244 (4th Cir. 1990).

- Some courts look at the "practical consequences" of the corporate transaction rather than recognizing a strict dichotomy between stock and asset purchases. Tekni-Plex, Inc. v. Meyner & Landis, 674 N.E.2d 663, 669 (N.Y. 1996).

- One recent case applied the "practical consequences" rule to deny a bankruptcy trustee's effort to control the privilege. Coffin v. Bowater Inc., No. 03-277-P-C, 2005 U.S. Dist. LEXIS 9395, at *7, *9 (D. Me. May 13, 2005) (rejecting a bankruptcy trustee's attempt to waive a bankrupt company 's privilege; rejecting a "bright-line rule" that only a stock sale conveyed the privilege; finding that privilege now belonged to the purchaser of the company's assets (including all the company's "tangible and intangible rights"); explaining that because the "practical consequences" of the asset purchase "was to transfer virtually all control and continuation of the [company's] business" to the new owner, the new owner -- not the company's bankruptcy trustee - had the right to waive or assert the privilege).

g. Effect of a Joint Representation of Corporate Affiliates in Later Adversity between the Former Clients

In many (if not most) transactions in which one member of a corporate "family" becomes an independent company through either a stock or asset sale, the same law firm represents both entities while they are still members of the same corporate "family."

Because jointly represented clients generally must be given access to the files generated by the lawyer representing the clients, this means that the newly independent company generally may obtain access to the files generated by the law firm that jointly represented the companies while they were still members of the same corporate "family."

- If the newly independent company declares bankruptcy, a bankruptcy trustee can thus generally call upon the law firm to produce all of its files during the former joint representation -- including communications between the law firm and the parent that the law firm also represented during the "transaction."

- Some large well-known law firms have found themselves dealing with this very troubling situation. In re Mirant Corp., 326 B.R. 646, 649 (Bankr. N.D. Tex. 2005) (requiring the Troutman Sanders law firm to produce files it generated while jointly representing the firm's long-time client The Southern Company and the subsidiary which became known as Mirant when it became an independent company and later declared bankruptcy; rejecting Troutman Sanders' argument that Mirant's bankruptcy trustee was not entitled to communications between Troutman Sanders and The Southern Company created during the joint representation; noting that "[i]t is well established that, in a case of a joint representation of two clients by an attorney, one client may not invoke the privilege against the other client in litigation between them arising from the matter in which they were jointly represented").

A number of other cases have dealt with such adversity between a parent and a former subsidiary (or its new owner), with differing results. Fogel v. Zell (In re Madison Mgmt. Group, Inc.), 212 B.R. 894 (Bankr. N.D. Ill. 1997) (the same lawyers represented a parent and a subsidiary; when the subsidiary went bankrupt, the trustee for the subsidiary sought to give to a third party (a creditor) documents created during the time of the joint representation; the court distinguished the situation from that in Santa Fe (in which the former subsidiary wanted to obtain documents for itself), and held that the parent could block the trustee for the former subsidiary from providing privileged documents to the third party creditor (although the parent and the former subsidiary were now adverse to one another)); Glidden Co. v. Jandernoa, 173 F.R.D. 459 (W.D. Mich. 1997) (Glidden (now called Grow) sold its subsidiary (Perrigo) to the subsidiary's management; Grow then sued its old subsidiary and the subsidiary's management; the court ordered the former subsidiary to produce all of the requested documents to the former parent; the court also rejected the argument that the former subsidiary's management could assert their own privilege); Bass Pub. Ltd. Co. v. Promus Cos., No. 92 Civ. 0969 (SWK), 1994 U.S. Dist. LEXIS 5474 (S.D.N.Y. Apr. 25, 1994) (Latham & Watkins represented both the parent (Promus) and a subsidiary (Holiday Inn), which was sold to Bass; the former subsidiary (which was merged into Bass) sought documents from Latham & Watkins dating from the time of the joint representation; although the court found that the documents were not created as part of a joint litigation defense effort, it ordered Latham & Watkins to produce the documents, finding that the jointly represented subsidiary was entitled to them); In re Santa Fe Trail Transp. Co., 121 B.R. 794 (Bankr. N.D. Ill. 1990) (in-house lawyers represented both a parent and a subsidiary; the former subsidiary went bankrupt, and its trustee sought documents from the former parent; although the court found that the situation did not involve a joint litigation defense arrangement (but instead was a joint representation), the court held that the former subsidiary could obtain documents from the parent that were created before the closing of the spin (and certain document created after that date)); In re Grand Jury Subpoenas 89-3 & 89-4 & 89-129, 734 F. Supp. 1207 (E.D. Va. 1990) (a parent waives any attorney-client privilege applicable to documents by leaving those documents with the spun subsidiary); Polycast Tech. Corp. v. Uniroyal, Inc., 125 F.R.D. 47, 51 (S.D.N.Y. 1989) (Uniroyal sold its subsidiary (Plastics) to a company called Polycast; Polycast sued Uniroyal for fraud; the court found that communications among the lawyers who jointly represented Uniroyal and its then-subsidiary Plastics did not involve a joint litigation defense, meaning that the new management of Plastics (now owned by Polycast) could obtain the documents); Medcom Holding Co. v. Baxter Travenol Labs., Inc., 120 F.R.D. 66 (N.D. Ill. 1988) (the parent (Baxter) sold all of the stock of its subsidiary Medcom to Medcom Holding; Medcom Holding later sued Baxter for securities fraud; the court found that the same lawyers represented Baxter and Medcom during the relevant time; the court held that Medcom's new management had the power to waive the privilege as to some of the documents; however, the court held that documents created during an earlier litigation when Baxter and its subsidiary were jointly represented could not be obtained by the subsidiary's new parent unless Baxter itself consented, even though adversity had developed between Baxter and the new owners of its former subsidiary).

h. Courts' Suggestions about Changing these General Rules when Selling Subsidiaries

A number of decisions have explained how companies may change the application of these general rules if they are planning to sell a subsidiary.

First, one court has held that a parent wishing to avoid the possibility of a spun subsidiary waiving the privilege that otherwise protects communications

with lawyers working for both parent and the spun company may avoid that result by hiring separate lawyers to represent the subsidiary before the spin. Medcom Holding Co. v. Baxter Travenol Labs. Inc., 120 F.R.D. 66 (N.D. Ill. 1988) (a parent wishing to avoid the possibility of a spun subsidiary waiving the privilege that otherwise protects communications with lawyers working for both parent and the spun company may avoid that result by hiring separate lawyers to represent the subsidiary before the spin).

Second, one court has suggested that a parent wishing to maintain all of the privilege rights could sell a subsidiary's assets rather than its stock. Bass Pub. Ltd. Co. v. Promus Cos., No. 92 Civ. 0969 (SWK), 1994 U.S. Dist. LEXIS 5474 (S.D.N.Y. Apr. 25, 1994) ("Had Promus [parent] wished, it could have sold only Holiday Inn's [subsidiary's] physical assets, which would have avoided the consequences [of allowing new management of the subsidiary to waive the privilege]").

Third, one court has suggested that a parent spinning off a subsidiary should contractually retain access rights to documents the spun company acquires in the spin. Bass Pub. Ltd. Co. v. Promus Cos., No. 92 Civ. 0969 (SWK), 1994 U.S. Dist. LEXIS 5474, at *6-7 (S.D.N.Y. Apr. 25, 1994); Medcom Holding Co. v. Baxter Travenol Labs., Inc., 120 F.R.D. 66 (N.D. Ill 1988) (a parent spinning off a subsidiary should contractually retain access rights to documents the spun company acquires in the spin).

Fourth, one court has suggested that a parent may retain the right to veto a newly spun subsidiary's waiver of the attorney-client privilege. In re Grand Jury Subpoenas 89-3 & 89-4 & 89-129, 734 F. Supp. 1207 (E.D. Va. 1990) (a parent waives any attorney-client privilege applicable to documents by leaving those documents with the spun subsidiary).

Fifth, one court has held that a parent waives any attorney-client privilege applicable to documents by leaving those documents with the spun subsidiary. In re Grand Jury Subpoenas 89-3 & 89-4 & 89-129, 734 F. Supp. 1207 (E.D. Va. 1990) (a parent waives any attorney-client privilege applicable to documents by leaving those documents with the spun subsidiary).

- Thus, a parent spinning off a subsidiary may want to consider reviewing all of its files, and removing any documents that the parent wishes to remain privileged.

4. Current and Former Corporate Employees

a. General Rule

As indicated above, lawyers representing corporations actually represent the incorporeal entity that is the corporation. Avianca, Inc. v. Corriea, 705 F. Supp. 666, 680 n.4 (D.D.C. 1989) ("A corporate attorney's 'client' is the corporate entity, and not individual officers or directors."), aff'd, 70 F.3d 637 (D.C. Cir. 1995); ABA Model Rule 1.13(a).

- As a matter of ethics, lawyers must very carefully guard against accidentally creating an attorney-client relationship with some of the human beings with whom they deal while representing the corporation (this is discussed above).

- Mistakes in this process can create duties of loyalty and confidentiality to someone other than the institution, possibly creating conflicts that prevent the lawyer from representing the only client that the lawyer wanted to represent (the corporation).

The importance of carefully defining the client also has privilege ramifications, but these are generally much less consequential than the ethics issues.

- Communications between a lawyer and an accidentally created individual client will almost surely still deserve protection under the attorney-client privilege. However, the key is who owns that privilege.

- The careful lawyer should take the steps mentioned above (in the ethics discussion) to assure that the corporate client always owns the privilege -- except in certain limited circumstances in which the lawyer intends to create an attorney-client relationship with someone else connected to the corporation.

b. "Control Group" Test

Most states formerly held that only a corporation's upper management (and those upon whom they rely) could speak for the corporation, so that only communications with those officials deserved attorney-client privilege protection. Va. Elec. & Power Co. v. Sun Shipbuilding & Dry Dock Co., 68 F.R.D. 397, 400 (E.D. Va. 1975).

- Some states (including Illinois) continue to follow the control group test. Joan C. Rogers, Analysis & Perspective: Although Corporate Attorney-Client Privilege Is Established, Challenges Persist, 16 ABA/BNA Law. Manual on Prof. Conduct [Current Reports] 335, at 337 (July 5, 2000).

- The control group test is not quite as narrow as many lawyers believe -- it covers communications to and from those in the upper corporate hierarchy and underlings who provide advice (not just facts) upon which the upper decision-makers rely.

- Still, the "control group" test clearly provides less protection to corporate clients than the newer "Upjohn" approach, both in the original communication (which can involve a much smaller number of corporate employees than under Upjohn) and in the waiver analysis (because the

"control group" approach places many more corporate employees outside the "need to know" group, so that sharing the communications within the corporation is more likely to waive the privilege).

c. "Upjohn" Test

The United States Supreme Court rejected the control group test in Upjohn Co. v. United States, 449 U.S. 383 (1981).

- In essence, the Supreme Court abandoned the former "hierarchical" approach (in which the privilege's applicability depended on the company employee's level in the corporate hierarchy) in favor of a much looser "functionality" test. Under this new test, the privilege's applicability depends on what role the corporate employees play, not their spot in the bureaucracy.

Under the Upjohn approach, employees of any level within a corporation are entitled to have privileged conversations with the company's lawyer, provided that the company lawyer undertake certain specified steps (described below).

- Thus, the Upjohn approach focuses on the nature of the employees' function and information, rather than on the strict hierarchical approach of the "control group" test. Federal courts and most state courts now follow the Upjohn approach.

To assure that the attorney-client privilege protection covers the communication, company lawyers should explain (and perhaps provide a written explanation of) the Upjohn factors: the company's lawyers have been asked to provide legal advice to their client (the company); the employee has factual knowledge that the company lawyers require; that information is not readily available elsewhere; the employees should keep all of their communications with the company lawyers confidential (even within the company).

d. Former Employees

Once courts adopted the "functionality" test, it was an easy step for them to extend the privilege to communications to and from company employees who are not currently in the hierarchy, but whose function when they worked at the corporation met the Upjohn standard.

Thus, the attorney-client privilege probably covers communications with the company's former employees (In re Richard Roe, Inc., 168 F.3d 69, 72 (2d Cir. 1999); Better Gov't Bureau v. McGraw (In re Allen), 106 F.3d 582, 605-06 & n.14 (4th Cir. 1997)), although courts take different positions on this issue. City of New York v. Coastal Oil New York, Inc., No. 96 Civ. 8667 (RPP), 2000 U.S. Dist. LEXIS 1010, at *5 (S.D.N.Y. Feb. 7, 2000).

- Former employees should receive a modified Upjohn explanation, which emphasizes that the interview will cover facts related to the employee's time at the company.

The ethical implications of ex parte communications with an adverse corporation's employees are discussed above.

5. Independent Contractors and Other Client Agents

As mentioned above, the attorney-client privilege exists only within the intimacy of the attorney-client relationship.

Under the Upjohn standard, corporate employees fall within this intimate relationship if they have information that a lawyer representing the corporation needs to serve the institutional client. However, those acting on behalf of or for corporation that have a more attenuated relationship with a corporation deserve much more careful scrutiny.

Client agents involve a spectrum of relationships with the client -- starting with independent contractors who are essentially acting as full-time employees, and ending with consultants who occasionally work for the client.

a. Independent Contractors

Courts disagree about the attorney-client privilege protection's applicability to communications with a corporation's independent contractors.

- In a fairly recent trend that holds promise for corporations which outsource corporate functions, courts increasingly treat as corporate employees those independent contractors who are the "functional equivalent" of employees. Viacom, Inc. v. Sumitoma Corp. (In re Copper Mkt. Antitrust Litig.), 200 F.R.D. 213, 216, 220 n.4 (S.D.N.Y. 2001) (public relations advisors); In re Bieter Co., 16 F.3d 929, 938 (8th Cir. 1994).

- Other courts are more reluctant to expand the attorney-client privilege beyond actual corporate employees. Horton. v. United States, 204 F.R.D. 670, 672, 673 (D. Colo. 2002); Miramar Constr. Co. v. Home Depot, Inc., 167 F. Supp. 2d 182 (D.P.R. 2001).

- As this new trend develops, courts have begun to analyze the facts required to support the "functional equivalent" doctrine. Export-Import Bank of the U.S. v. Asia Pulp & Paper Co., 232 F.R.D. 103, 113, 114 (S.D.N.Y. 2005), (explaining that in determining whether a consultant meets the functional equivalent standard, courts "look to whether the consultant had primary responsibility for a key corporate job, . . . whether there was a continuous and close working relationship between the consultant and the company's principals on matters critical to the company's position in litigation, . . . and whether the consultant is likely to

possess information possessed by no one else at the company," rejecting defendant's contention that its financial advisor deserved this status, noting that the financial consultant (1) apparently never used an office made available to him in defendant's premises, and (2) was able to "start and build a successful consulting business" despite spending 80 – 85 percent of his time working on a restructuring deal for defendant).

b. Agents

Agents assisting corporations in some way act further along the continuum that starts with full-time employees and includes independent contractors who are the "functional equivalent" of employees.

- The status of agents can have a critical effect on the attorney-client privilege, in a number of settings: communications between the company's employees or lawyers and the agents may or may not be privileged ab initio, depending on the agents' status; having agents present during communications between the company's employees and the company's lawyers may or may not prevent the privilege from even protecting those communications, depending on the agents' status; later sharing privileged communications with agents may or may not waive the privilege, depending on the agents' status.

Agents Necessary for the Transmission of the Communications. Every court applies the attorney-client privilege to client agents who assist in the transmission of the attorney-client communications.

- This type of client agent includes translators, interpreters, etc.

Other Agents (Not Necessary for the Transmission of the Communications). Courts take differing positions on the attorney-client privilege implications of involving client agents who are not necessary for the transmission of the attorney-client communications. Some authorities take a fairly liberal approach, but the vast majority apply the privilege more narrowly.

The Restatement and a few courts take a fairly liberal approach.

- Restatement (Third) of Law Governing Lawyers § 70 cmt. f (2000). ("An agent for communication need not take a direct part in client-lawyer communications, but may be present because of the Client's psychological or other need. A business person may be accompanied by a business associate or expert consultant who can assist the client in interpreting the legal situation.").

- Courts taking this liberal view have protected communications to and from the following agents: financial and tax advisors (Segerstrom v. United States, No. C 00-0833 SI, 2001 U.S. Dist. LEXIS 2949 (N.D. Cal. Feb. 6, 2001)); litigation consultants (Caremark, Inc. v. Affiliated Computer Servs., Inc., 192 F.R.D. 263 (N.D. Ill. 2000)); crisis management public relations firm employee (Viacom, Inc. v. Sumitoma Corp. (In re Copper Mkt. Antitrust Litig.), 200 F.R.D. 213 (S.D.N.Y. 2001)); outside coordinator of legal services (Caremark, Inc. v. Affiliated Computer Servs., Inc., 192 F.R.D. 263, 264 (N.D. Ill. 2000)); a company owner's son acting as his father's "representative" (Nat'l Converting & Fulfillment Corp. v. Bankers Trust Corp., 134 F. Supp. 2d 804 (N.D. Tex. 2001)); engineer (Sunnyside Manor, Inc. v. Twp. of Wall, Civ. A. No. 02-2902 (MLC), 2005 U.S. Dist. LEXIS 36438 (D.N.J. Dec. 22, 2005)).

The vast majority of courts have taken a much narrower view, refusing to provide privilege protection to client agents who are not assisting in the transmission of information, but instead providing their own independent advice to the clients.

- In discussing waiver (a concept addressed later in this outline), one court coined a useful phrase. United State v. Morrell-Corrada, 343 F. Supp. 2d 80, 88 (D.P.R. 2004) ("Where a client chooses to share communications between himself and his lawyer outside the 'magic circle' of secretaries and interpreters, the courts have usually found a waiver of the privilege.").

- Courts taking this majority -- narrow -- view have refused to protect communications to and from the following agents: accountant (In re Horowitz, 482 F.2d 72 (2d Cir.), cert. denied, 414 U.S. 867 (1973); United States v. Rosenthal, 142 F.R.D. 389 (S.D.N.Y. 1992)); investment banker (United States v. Ackert, 169 F.3d 136 (2d Cir. 1999); National Educ. Training Group, Inc. v. Skillsoft Corp., No. M8-85(WHP) 1999 U.S. Dist. LEXIS 8680 (S.D.N.Y. June 9, 1999)); litigation consultant (Blumenthal v. Drudge, 186 F.R.D. 236 (D.D.C. 1999)); environmental consultant (United States Postal Serv. v. Phelps Dodge Refining Corp., 852 F. Supp. 156 (E.D.N.Y. 1994)); financial advisor (Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465 (S.D.N.Y. 1993)); union official with whom police union members spoke before they hired a lawyer (In re Grand Jury Subpoenas Dated Jan. 20, 1998, 995 F. Supp. 332 (E.D.N.Y. 1998)); reorganization consultant (Kaminski v. First Union Corp., Civ. A. Nos. 98-CV-1623, 98-CV-6318, 99-CV-1509, 99-CV-4783, 99-CV-6523, 2001 U.S. Dist. LEXIS 9688 (E.D. Pa. July 9, 2001)).

A recent case applied this narrow approach to a large company's disclosure of documents to its insurance broker. Cellco P'ship v. Certain Underwriters at Lloyd's London, Civ. A. No. 05-3158 (SRC), 2006 U.S. Dist. LEXIS 28877, at *7, *11 (D.N.J. May 11, 2006) (explaining that "just because a communication between an attorney and a specialist prove[s] helpful to the attorney's representation of his/her client does not mean that the communications are necessarily privileged"; holding that the privilege did not protect communications between Verizon Wireless and employees of its insurance broker Aon; "Aon did not act as an agent of the attorney or [Verizon Wireless]

for purposes of providing or interpreting legal advice. While the information that Aon provided may have proved helpful, it was not needed to interpret complex issues in order to provide competent legal advice or to facilitate the attorney-client relationship.").

- Courts taking this narrow approach also generally hold: (1) that the presence of such agents during an otherwise privileged attorney-client communication prevents the privilege from ever arising; and (2) that sharing a privileged communication with such an agent waives the privilege -- this Outline covers these concepts below.

Importance of the Majority (Narrow) View of Client Agents. The general inability of a client's agent to engage in privileged communications with corporate clients or their lawyers (and the waiver implications of sharing privileged communications with those agents) represents perhaps the most counter-intuitive aspect of the attorney-client privilege.

- Corporate officers and employees might logically assume that members of their problem-solving "teams" such as environmental consultants, outside accountants, financial advisors, etc. -- who have fiduciary duties of loyalty and confidentiality to the clients just like lawyers do -- should be able to participate in joint communications, learn what the lawyer member of the "team" has to say, etc.

- Lawyers must educate their clients about the erroneous nature of this assumption.

For instance, lawyers should remind their clients that Martha Stewart lost the privilege protection that covered an e-mail to her lawyer by sharing the e-mail with her own daughter. United States v. Stewart, 287 F. Supp. 2d 461 (S.D.N.Y. 2003).

- If a client's only daughter is not within the intimate attorney-client relationship, surely other professional advisors fall outside as well.

6. Multiple Representations of Corporations and Corporate Employees

a. Ethical Considerations

Lawyers who represent corporations generally should not attempt to represent any other corporate constituent.

- Such activity risks compromising the lawyer's duty of loyalty and confidentiality to the lawyer's primary client -- the institution.

- Doing so accidentally can have disastrous results.

For obvious reasons, lawyers dealing with company employees who might misunderstand the lawyer's role must "explain the identity of the client when the lawyer knows or reasonably should know that the organization's interests are adverse to those of the constituents with whom the lawyer is dealing." ABA Model Rule 1.13(f).

- In one recent celebrated case, a court criticized (but ultimately found effective) a "corporate Miranda warning" given by a company's in-house lawyers and outside lawyers to an executive that they were interviewing -- the lawyers advised the executive that they represented the company, but that they "could" also represent the executive "as long as no conflict appeared." Under Seal v. United States (In re United States Grand Jury Subpoena), 415 F.3d 333, 336 (4th Cir. 2005) (holding that the company alone controlled the privilege despite the looseness of the warning given to the executive; pointing to a separate part of the warning explaining that the privilege belonged to the company and not to the executive).

- Most courts are reluctant to find that company lawyers also represent company executives -- unless the relationship has been clearly established. Applied Tech. Int'l, Ltd. v. Goldstein, Civ. A. No. 03-848, 2005 U.S. Dist. LEXIS 1818 (E.D. Pa. Feb. 7, 2005).

b. Attorney-Client Privilege Ramifications

Such multiple representations have privilege implications too.

As mentioned above, absent a contractual understanding to the contrary, there can be no secrets among jointly represented clients on the same matter. Sec. Investor Prot. Corp. v. Stratton Oakmont, Inc., 213 B.R. 433, 439 (Bankr. S.D.N.Y. 1997).

- Lawyers who jointly represent a client do not have to worry about the efficacy of a "joint defense" or "common interest" agreement (discussed below), because the privilege generally covers communication between lawyers and jointly represented clients, or between jointly represented clients who are anticipating communicating with the lawyer or discussing legal advice the lawyer has already given them. Kroha v. Lamonica, No. X02CV980160366S, 2001 Conn. Super. LEXIS 81, at *12 (Conn. Super. Ct. Jan. 3, 2001) (unreported decision).

- Of course, to the extent that a corporation's constituents act as agents of the institutional corporation, most of these protections arise even if there is no separate attorney-client relationship between the corporation's lawyer and the individual corporate constituent.

The privilege's ownership can become critically important if the company wants to waive the privilege covering its lawyers' communications with an

executive (for instance, to cooperate with a government investigation), while the executive wants to assert the privilege.

- If the company's lawyer has jointly represented the company and the executive, the executive generally has a "veto power" over the company's right to waive the privilege. Under Seal v. United States (In re United States Grand Jury Subpoena), 415 F.3d 333 (4th Cir. 2005) (ultimately finding that the company executive could not assert the veto power because the company's lawyers did not jointly represent the company and the executive).

- To the extent that the company and the executive become litigation adversaries, neither can assert the privilege to avoid disclosure of communications that occurred during a joint representation.

- It is also worth remembering that a "common interest agreement" (explained below) can also give a "veto power" even to a separately represented company executive. Under Seal v. United States (In re United States Grand Jury Subpoena), 415 F.3d 333 (4th Cir. 2005) (finding that a company and an executive had not entered into a common interest agreement, so that the company alone controlled the privilege.)

c. Disclosure and Consent

Lawyers tempted to engage in multiple representations should carefully consider the implications, and definitely articulate the exact nature of the relationship in a document.

Two decisions decided on the very same day highlight the risks of making a mistake.

- Home Care Indus., Inc. v. Murray, 154 F. Supp. 2d 861, 869 (D.N.J. 2001) (disqualifying the Skadden, Arps law firm from representing a corporation after it became adverse to its CEO with whom Skadden had dealt; finding that the CEO could reasonably have thought that Skadden represented him too; noting that "[a]n explanation of the Skadden Firm's position as counsel for HCI exclusive of its officers, would have gone a long way to avoid the position that said firm finds itself defending in the instant matter").

- In re Rite-Aid Corp. Sec. Litig., 139 F. Supp. 2d 649, 660 (E.D. Pa. 2001) (refusing to disqualify the Ballard, Spahr law firm from representing Rite-Aid adverse to a Rite-Aid executive that the firm had also represented in preliminary matters; noting that "[t]he engagement letter sent from Ballard Spahr to Rite Aid . . . could not have been clearer with respect to the relationship between Ballard Spahr's representation of Rite Aid and its representation of [the executive]. The letter made it pellucid that Ballard Spahr would, in the event of a conflict . . . cease to represent [the executive] but continue to represent Rite Aid.").

7. Privilege Implications of Company Employees Using Company E-Mail Systems

In some situations, company employees assert privilege protection for e-mail communications (using the company's e-mail system) with the employees' private lawyers.

Most cases find the privilege inapplicable. Kaufman v. SunGard Inv. Sys., Civ. A. No. 05-cv-1236 (JLL), 2006 U.S. Dist. LEXIS 28149 (D.N.J. May 9, 2006) (opinion not for publication) (holding that the privilege did not cover communications between an employee and her personal lawyer that she left on the company computer when she returned it to the company after she stopped working there; also finding that even if the privilege applied, the former employee waived the protection when she did not delete the privileged communications before returning the computer).

Surprisingly, some courts find that company employees may assert privilege protection, although the e-mail system and computer obviously belong to the company.

- Curto v. Medical World Commc'ns, Inc., No. 03CV6327 (DRH)(MLO), 2006 U.S. Dist. LEXIS 29387 (E.D.N.Y. May 16, 2006) (holding that the privilege continued to cover an employee's privileged communication with her personal lawyer; acknowledging that the employee had used a company-owned computer, but noting that she used it only at her home office, and that it was not connected to the company's network; pointing to the company's policy that prohibited personal use of the company's computers, but noting that the company had not vigorously enforced the policy and therefore could not rely on it); In re Asia Global Crossing, Ltd., 322 B.R. 247, 261 (Bankr. S.D.N.Y. 2005) (finding that a company had not clearly enough warned executives that they could not use the company e-mail system for personal communications; noting that "at log on, some business computers, including those used by this Court's personnel, warn users about personal use and the employers' right to monitor;" holding that company executives could withhold from the company's bankruptcy trustee e-mail communications with their personal lawyers).

8. Former Employees' Right of Access to Privileged Communications in Which They Engaged While Employees

Courts disagree about former employees' right to obtain discovery (when they are now adverse to their former employer) of privileged communications to which they had access while company employees. Inter-Fluve, Inc. v. Montana 18th Judicial Dist. Court, 112 P.3d 258, 262 (Mont. 2005) (agreeing with a former

director's argument that "since he was entitled to access these communications at the time they occurred, it would be a perversion of the attorney-client privilege to now deny him access to that information simply because he is no longer a director"); Genova v. Longs Peak Emergency Physicians, P.C., 72 P.3d 454, 463 (Colo. Ct. App. 2003) (noting the debate among courts on this issue, and holding that a former director who is now adverse to the corporation could be denied access to privileged documents; explaining that "the privilege may be asserted against an adverse litigant" -- even if the litigant previously had access to the privileged documents).

9. "Fiduciary Exception"

a. Application to Shareholders

Given the fiduciary duty that corporate management owes corporate shareholders, most courts recognize the latter's limited right to discover communications between corporate management and corporate lawyers -- under certain circumstances. Garner v. Wolfinbarger, 430 F.2d 1093 (5th Cir. 1970), cert. denied, 401 U.S. 974 (1971).

b. Application to Other Situations

Many courts have expanded what is now called this "fiduciary exception" to include other situations in which the beneficiaries of a fiduciary relationship seek access to communications between the fiduciary and the fiduciary's lawyer. Cox v. Adm'r United States Steel & Carnegie, 17 F.3d 1386, 1415-16 (11th Cir. 1994), cert. denied, 513 U.S. 1110 (1995).

- Courts have applied this "fiduciary exception" in situations involving: union members (Cox v. Adm'r United States Steel & Carnegie, 17 F.3d 1386, 1415-16 (11th Cir. 1994), cert. denied, 513 U.S. 1110 (1995); Wessel v. City of Albuquerque, No. 00-00532 (ESH/AK), 2000 U.S. Dist. LEXIS 17494, at *12, *15 (D.D.C. Nov. 30, 2000)); ERISA plan beneficiaries (United States v. Mett, 178 F.3d 1058, 1063 (9th Cir. 1999); Lewis v. UNUM Corp. Severance Plan, 203 F.R.D. 615, 620 (D. Kan. 2001)); limited partners (Opus Corp. v. IBM Corp., 956 F. Supp. 1503, 1507 (D. Minn. 1996), but see Metropolitan Bank & Trust Co. v. Dovenmuehle Mortgage, Inc., Civ. A. No. 18023-NC, 2001 Del. Ch. LEXIS 153, at *8 (Del. Ch. Dec. 20, 2001)); bankruptcy creditors' committee (In re Baldwin-United Corp., 38 B.R. 802 (Bankr. S.D. Ohio 1984)); estate beneficiaries (Alan D. Wingfield, Fiduciary Attorney-Client Communications: An Illusory Privilege?, 8 Prob. & Prop. 4, July/Aug. 1994, at 61; trust beneficiaries (Restatement (Third) of Law Governing Lawyers § 84 (2000)).

This "fiduciary exception" generally is limited to communications that relate to the fiduciary relationship, and not to (for instance) the possible liability of the fiduciary. United States v. Mett, 178 F.3d 1058, 1064, 1065 (9th Cir. 1999).

- For instance, because "the amendment or termination of plan benefits is not a fiduciary action," a former employee claiming that the employer improperly terminated an ERISA plan generally cannot rely on the "fiduciary exception" to discover communications between the employer and the employer's law firm. Bland v. Fiatallis N. Am., Inc., 401 F.3d 779 (7th Cir. 2005).

C. Participants: Lawyers

1. Communications Not Involving a Lawyer, and Uncommunicated Lawyer Notes

Although the attorney-client privilege normally protects communications between clients and lawyers, client-to-client communication may also deserve protection under certain circumstances.

- First, the privilege can protect communications among corporate employees gathering facts requested by the lawyer. SmithKline Beecham Corp. v. Apotex Corp., 232 F.R.D. 467, 477 (E.D. Pa. 2005) ("In the case of a corporate client, privileged communications may be shared by non-attorney employees in order to relay information requested by attorneys.")

- Second, the privilege can protect corporate employees relaying a lawyer's advice to other employees. Baptiste v. Cushman & Wakefield, Inc., No. 03 Civ. 2102 (RCC) (THK), 2004 U.S. Dist. LEXIS 2579, at *7 (S.D.N.Y. Feb. 20, 2004) (holding that the attorney-client privilege protected e-mails from one corporate executive to another, which conveyed outside counsel's advice; concluding that "[i]t is of no moment that the e-mail was not authored by an attorney or addressed to an attorney"); U.S. Bank Nat'l Ass'n v. U.S. Timberlands Klamath Falls, L.L.C., Civ. A. No. 112-N, 2005 Del. Ch. LEXIS 95, at *12 (Del. Ch. June 9, 2005) (explaining that "communications originating from non-attorneys can be protected by the attorney-client privilege, if those communications relay legal advice from counsel to a party with a common interest").

Although the attorney-client privilege can protect documents prepared by a client that a client never sends to a lawyer (as long as the client created the documents with the intent of sending them to a lawyer), the privilege is less likely to protect uncommunicated lawyer documents.

- Sheeks v. El Paso County Sch. Dist. No. 11, Civ. A. No. 04-cv-1946-ZLW-CBS, 2006 U.S. Dist. LEXIS 27579, at *3 (D. Colo. Apr. 12, 2006) ("Defendant has cited no authority, and the Court has found none, indicating that internal law firm communications which are not conveyed to the client are covered by the attorney-client privilege"); SmithKline Beecham Corp. v. Apotex Corp., 232 F.R.D. 467, 481-82 (E.D. Pa. 2005) (the attorney-client privilege does not protect "attorney thought processes"); American Nat'l Bank & Trust Co. v. AXA Client Solutions, LLC, No. 00 C 6786, 2002 U.S. Dist. LEXIS 4805 (N.D. Ill. Mar. 20, 2002) (holding that the attorney-client privilege did not cover handwritten notes prepared by an in-house lawyer, because the lawyer had not communicated them to anyone else).

- Of course, the privilege will protect a lawyer's uncommunicated memorializations of communications between the lawyer and the client.

2. Lawyer-to-Client Communications

Egocentric lawyers normally assume that the privilege will protect their communications to clients.

However, the law only protects those communications to the extent that they reveal what the client told the lawyer. Breon v. Coca-Cola Bottling Co. of New England, 232 F.R.D. 49, 54 (D. Conn. 2005) ("communication running from the lawyer to the client is not protected unless it reveals what the client has said").

This doctrine sometimes applies to a lawyer's report back to the client of the lawyer's communications with third parties, government regulators, etc. Tri-State Hosp. Supply Corp. v. United States, Civ. A. No. 00-1463 (HHK/JMF), 2005 U.S. Dist. LEXIS 33156, at *12-13 (D.D.C. Dec. 16, 2005); Neighborhood Dev. Collaborative v. Murphy, 233 F.R.D. 436, 443 (D. Md. 2005) ("[T]he attorney-client privilege does not protect information obtained by the attorney from sources other than the client, or notes or memoranda summarizing such information. . . . Thus, to the extent that certain documents listed in Defendants' privilege log are not based upon information supplied in confidence by Defendants, but rather consist of notes and summaries of attorneys' conversations with third parties, then those documents may in fact be discoverable."); Schmidt, Long & Assocs., Inc. v. Aetna U.S. Healthcare, Inc., Civ. A. No. 00-CV-3683, 2001 U.S. Dist. LEXIS 7145, at *10-11 (E.D. Pa. May 31, 2001) ("In order for a communication between an attorney to [sic] a client to be privileged, the communication must be based upon confidential communications received from the client. . . . The communication will not be privileged if the attorney is merely conveying information learned from sources other than the client.")

3. In-House Lawyers

In the United States, the attorney-client privilege protection can cover communications to and from inside counsel.

The leading United States Supreme Court decision on the attorney-client privilege and the District Court decision articulating the most common formulation of the attorney-client privilege both involved in-house lawyers. Upjohn Co. v. United States, 449 U.S. 383 (1981); United States v. United Shoe Mach. Corp., 89 F. Supp. 357 (D. Mass. 1950).

The attorney-client privilege protection can cover communications to and from inside counsel even if they are not licensed in the state in which they communicate. Restatement (Third) of Law Governing Lawyers § 72 reporter's note (2000); Boca Investerings P'ship v. United States, 31 F. Supp. 2d 9, 11 (D.D.C. 1998).

- In-house lawyers practicing in states that do not require them to be licensed in that state (discussed in the ethics section above) might face what would

seem to be a dangerous risk -- letting their license lapse through inadvertence or sloppiness.

- Fortunately, because the client's expectations generally govern, even those lawyers (who are technically no longer licensed anywhere) generally may continue to have privileged communications with their clients. Restatement (Third) of Law Governing Lawyers § 72 cmt. e (2000).

As mentioned above, most European countries do not recognize an attorney-client privilege applicable to communications to or from in-house lawyers.

As explained below (in connection with the "legal advice" requirement), in-house lawyers face a higher burden than outside lawyers in establishing the privilege's applicability.

4. Foreigners with the Equivalent of a Law Degree

Many American courts hold that foreigners engaged in activities in their home country that parallel American lawyers' practice of law may engage in privileged conversations. VLT Corp. v. Unitrode Corp., 194 F.R.D. 8, 18 (D. Mass. 2000) (using principles of comity to protect communications with Japanese patent agents called "benrishi").

- Determining whether such foreigners deserve privilege protection often requires testimony about their activities. Organon Inc. v. Mylan Pharms., Inc., 303 F. Supp. 2d 546 (D.N.J. 2004) (finding that Netherlands patent agents may engage in privileged conversations).

- Not every court is this generous. Johnson Matthey, Inc. v. Research Corp., No. 01 Civ. 8115 (MBM)(FM), 2002 U.S. Dist. LEXIS 13560 (S.D.N.Y. July 23, 2002).

5. Law Department Staff

Lawyers cannot act without help, and the privilege naturally covers communications with their secretaries, paralegals, copy clerks, receptionists, etc. von Bulow v. von Bulow, 811 F.2d 136 (2d Cir.), cert. denied, 481 U.S. 1015 (1987); United States v. (Under Seal), 748 F.2d 871, 874 (4th Cir. 1984).

- These assistants help facilitate communications to and from clients, and also assist the lawyers in the substantive work of providing legal advice.

However, a recent decision denied privilege protection for communications to and from a corporation's long-time in-house paralegal because the court found that the paralegal was giving her own advice, rather than assisting a lawyer.

- HPD Labs., Inc. v. Clorox Co., 202 F.R.D. 410, 417 (D.N.J. 2001) (holding that the attorney-client privilege did not protect from disclosure communications between a long-time Clorox in-house paralegal and Clorox employees, because the employees were seeking the paralegal's own advice rather than working with the paralegal to obtain a lawyer's advice; rejecting Clorox's argument that the privilege applied because the paralegal worked under the general supervision of a Clorox lawyer and consulted with a lawyer if any "unusual or novel" issues arose; noting that the paralegal met with Clorox employees without a lawyer present, and did not copy a lawyer on e-mails to and from employees; ordering the production of documents reflecting communications between the paralegal and Clorox employees).

- This case highlights the importance of lawyers' involvement in the pertinent communications, but so far has not started a trend.

6. Outside Lawyers

Because courts more carefully scrutinize privilege claims asserted by in-house counsel (given their multiple roles), companies may want to involve outside lawyers -- especially if they wish to protect material related to corporate investigations, or if litigation looms.

Involving outside lawyers in these circumstances: increases the odds of successfully asserting the attorney-client privilege; helps buttress the work product protection (by showing that the investigation is not in the "ordinary course" of the company's business, but instead was undertaken in anticipation of litigation); adds credibility to the investigation if a government agency suspects management wrongdoing, and therefore mistrusts in-house counsel.

7. Lawyer's Agents and Consultants

As explained above, the law's emphasis on the intimacy of the attorney-client relationship generally means that a client's agent is outside the attorney-client relationship -- unless the agent plays some role in facilitating communications to or from the lawyer.

- Because an agent's role (and the nature of a lawyer's supervisory role over that agent's activities) can change over time, some courts find that an agent's communications deserve attorney-client privilege protection at certain times, but not at other times. Welland v. Trainer, No. 00 Civ. 0738 (JSM), 2001 U.S. Dist. LEXIS 15556 (S.D.N.Y. Sept. 28, 2001).

In striking contrast to the role of a client's agent in communications between a lawyer and client, the attorney-client privilege generally protects communications to or from (or in the presence of) a lawyer's agents whose role is to help the lawyer provide legal advice to the client.

- Examples include: accountants (United States v. Adlman, 68 F.3d 1495, 1499 (2d Cir. 1995); In re Grand Jury Proceedings, 220 F.3d 568, 571 (7th Cir. 2000)); translators (Carter v. Cornell Univ., 173 F.R.D. 92, 94 (S.D.N.Y. 1997));

private investigators (Restatement (Third) of Law Governing Lawyers § 72 cmt. a (2000); Welland v. Trainer, No. 00 Civ. 0738 (JSM), 2001 U.S. Dist. LEXIS 15556, at *8-10 (S.D.N.Y. Sept. 28, 2001)); patent agents (Gorman v. Polar Electro, Inc., 137 F. Supp. 2d 223, 227, 228 (E.D.N.Y. 2001)); psychiatrists (Federal Trade Comm'n v. TRW, Inc., 628 F.2d 207, 212 (D.C. Cir. 1980)); psychologists (Rodriguez v. Superior Court, 18 Cal. Rptr. 2d 120, 123 (Cal. Ct. App. 1993)); environmental consultants (Olson v. Accessory Controls & Equip. Corp., 757 A.2d 14, 26 (Conn. 2000)); client employees interviewing other employees on the lawyer's behalf (Carter v. Cornell Univ., 173 F.R.D. 92, 94 (S.D.N.Y. 1997)); insurance company employees arranging for insureds to be represented by a lawyer hired by the insurance company (Restatement (Third) of Law Governing Lawyers § 70 cmt. f (2000); Long v. Anderson Univ., 204 F.R.D. 129, 135 (S.D. Ind. 2001)); actuary (Byrnes v. Empire Blue Cross Blue Shield, No. 98 Civ. 8520 (BSJ)(MHD), 1999 U.S. Dist. LEXIS 17281 (S.D.N.Y. Nov. 2, 1999)); investment banking firms. Calvin Klein Trademark Trust v. Wachner, 124 F. Supp. 2d 207 (S.D.N.Y. 2000).

Taking this skeptical approach, courts have rejected the applicability of the attorney-client privilege to communications to and from some people claiming to have been acting on the lawyer's behalf:

- Examples include: engineering firm hired to conduct environmental studies (United States Postal Serv. v. Phelps Dodge Ref. Corp., 852 F. Supp. 156, 161, 162 (E.D.N.Y. 1994)); accountant (In re Horowitz, 482 F.2d 72, 80-81 (2d Cir.), cert. denied, 414 U.S. 867 (1973)); litigation consultant (Blumenthal v. Drudge, 186 F.R.D. 236, 243 (D.D.C. 1999)); financial advisor (Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 491-92 (S.D.N.Y. 1993)); client's consultant hired to prepare a report for submission to the government (In re Grand Jury Matter, 147 F.R.D. 82, 87 (E.D. Pa. 1992)); company employees compiling data to assist business decision-makers. Byrnes v. Empire Blue Cross Blue Shield, No. 98 Civ. 8520(BSJ)(MHD), 1999 U.S. Dist. LEXIS 17281 (S.D.N.Y. Nov. 8, 1999).

- One interesting debate involves lawyers' arguments that they need a public relations consultant to help them give legal advice. One court rejected that argument (Calvin Klein Trademark Trust v. Wachner, 198 F.R.D. 53 (S.D.N.Y. 2000)), while a more recent case found that a criminal defense lawyer actually needed a public relations consultant to help give legal advice. In re Grand Jury Subpoenas Dated Mar. 24, 2003, 265 F. Supp. 2d 321, 331 (S.D.N.Y. 2003) (acknowledging the "artificiality" of distinguishing between public relations firms hired by the targeted corporate executive client and public relations firms hired by the lawyers, but nevertheless holding that the privilege would not have protected communications if the client had hired the public relations firm directly, even "if her object in doing so had been purely to affect her legal situation").

Lawyers cannot assure this protection simply by retaining the agent or consultant, or preparing a self-serving letter explaining that the lawyer needs the consultant's assistance to help give legal advice.

- Courts look at the bona fides of the arrangement. If the consultant is not actually assisting the lawyer in providing legal advice, communications with the consultant will not deserve protection.

- In a good example of how courts address this issue, the Southern District of New York found that one law firm legitimately needed an investment banking firm's help in understanding its client's financial situation (Calvin Klein Trademark Trust v. Wachner, 124 F. Supp. 2d 207, 209 (S.D.N.Y. 2000)), while rejecting another law firm's claim that it needed a public relations consultant to assist it in giving legal advice to a client. Calvin Klein Trademark Trust v. Wachner, 198 F.R.D. 53, 54 (S.D.N.Y. 2000).

Clients and lawyers cannot "launder" an agent's or consultant's advice through the lawyer in order to protect the communications with the attorney-client privilege.

- A recent case involving the well-known Hunton & Williams law firm highlights the risk of thinking that having the lawyer hire the consultant will assure privilege protection. Asousa P'ship v. Smithfield Foods, Inc. (In re Asousa P'ship), Bankr. No. 01-12295DWS, Adversary No. 04-1012, 2005 Bankr. LEXIS 2373, at *19, *35, *14, *16, *18, *19-20 (Bankr. E.D. Pa. Nov. 17, 2005) (assessing privilege claims by a company being sued under a successor liability theory after purchasing substantially all of the assets of another company; assessing privileged and work product claims for an asset valuation prepared by an outside consultant; explaining that the proposal letter indicates that the valuation report will be used for "'management planning' purposes"; noting that the company's business executive sent the proposal to the company's in-house lawyer, who forwarded it to outside counsel; quoting outside counsel's response: "'Curtis [outside lawyer] and/or I should have discussions with the appraiser beforehand, and if you prefer, H&W [outside counsel Hunton & Williams] can retain the appraiser directly for Smithfield's benefit in the hope that we can keep the appraisal privileged. Even if Smithfield retains the appraiser, we can be the recipient of the appraisal, then forward it to you, which also should help the case for maintaining its as privileged.'"; using harsh language in describing the privileged claim: "Smithfield engaged in a blatant subterfuge, i.e., using H&W [outside law firm] as a mere conduit, in order to make its relationship with Valuation Research [outside consultant] appear privileged."; "this was a 'ghost-hiring' on Smithfield's behalf to create the appearance of attorney-client privilege over the appraisal, as was H&W's subsequent receipt and 'laying of hands' upon the report"; "contemporaneous e-mails evidence that H&W's involvement in Valuation Research's work was artifice, used solely to create the appearance of the now-asserted attorney-client privilege"; "Given

> the artifice surrounding the Valuation Research appraisal, I find it more likely that the reference to 'potential litigation,' like H&W's involvement, was added solely to give rise to a colorable claim that the report is a protected document."; concluding that "the purpose of the redacted communication is not to obtain H&W's legal advice or services. To the contrary, these redacted e-mail exchanges show that H&W was brought into the Valuation Research engagement solely to 'lay hands' upon the work of Valuation Research in an attempt to create an attorney-client privilege around what would be an otherwise an [sic] unprivileged appraisal report. The privilege clearly does not attach in this situation." (emphases added)).

Although outside lawyers undoubtedly face more pressure to do so than in-house lawyers, all lawyers must explain to their clients that it really is "too good to be true" to assure privilege protection by having the lawyer arrange for retention of an agent or other consultant that will really be providing independent advice to the client.

Lawyers (outside or in-house) who legitimately need assistance in providing legal advice to their client should carefully document this need, and probably should retain those agents/consultants using a retainer letter that memorializes the privileged nature of the communications and the basis for the privilege.

D. Content of the Communication

1. Legal Advice

The attorney-client privilege only protects communications that relate to the request for or rendering of legal advice.

- Many lawyers overlook this key element of the attorney-client privilege.

a. The Four Types of Privileged Communications

Four types of communications can meet this standard: Two types of communications from a client to a lawyer, and two types of communications from a lawyer to a client.

(1) A client's request for legal advice from a lawyer (explicit or implicit -- a client's conveyance of a draft document to a lawyer might be an implicit request for legal advice about the draft).

(2) A client's communication to a lawyer of facts the lawyer needs to give legal advice (this might be an implicit request for legal advice itself, or accompany a request for legal advice).

(3) A lawyer's request for facts that the lawyer needs to give legal advice.

(4) A lawyer's legal advice.

In addition, the privilege can cover communications related to these types of communication.

- For example, the privilege can cover a communication from one non-lawyer company employee to another non-lawyer company employee (with no copy to or from a lawyer) if the communication discusses the collection of facts that the lawyer needs to provide legal advice, or if it paraphrases the advice that the lawyer has given to the company. Long v. Anderson Univ., 204 F.R.D. 129, 134 (S.D. Ind. 2001).

b. Misconceptions about the Privilege's Applicability

This "legal advice" element of the attorney-client privilege is another critical area in which clients' intuition will lead them in the wrong direction.

- Most corporate executives would undoubtedly vote "yes" if asked whether they could assure the privilege protection merely by putting a "privileged" legend on a document, or by sending a copy of the document to a lawyer.

- These incorrect (but widely held) misperceptions can lead clients to include unfortunate statements in documents that will not deserve privilege protection in later litigation.

The privilege does not apply:

- Just because someone has written "privileged" on the document. On the other hand, some courts point to the absence of such a legend in finding the privilege inapplicable. MSF Holding, Ltd. v. Fiduciary Trust Co. Int'l, No. 03 Civ. 1818 (PKL) (JCF), 2005 U.S. Dist. LEXIS 34171, at *4 (S.D.N.Y. Dec. 7, 2005) ("Neither of the e-mails in question bears any legend identifying it as an attorney-client communication or as a document prepared in anticipation of litigation. Had FTIC intended to preserve the confidentiality of these documents, it should have taken such an elementary precaution.")

- Just because a client communicates with a lawyer. Maine v. United States Dep't of the Interior, 124 F. Supp. 2d 728 (D. Me. 2001); Alexander v. FBI, 186 F.R.D. 21, 45-46 (D.D.C. 1998).

- Just because a document is in a lawyer's file. Nat'l Union Fire Ins. Co. v. Valdez, 863 S.W.2d 458, 460 (Tex. 1993).

- Just because the client or lawyer send each other transmittal letters. United States Fidelity & Guar. Co. v. Braspetro Oil Servs. Co., Nos. 97 Civ. 6124 (JGK)(THK) & 98 Civ. 3099 (JGK)(THK), 2000 U.S. Dist. LEXIS 7939, at *51 (S.D.N.Y. June 7, 2000).

- Just because a client sends a non-privileged document to a lawyer. SmithKline Beecham Corp. v. Pentech Pharms., Inc., No. 00 C 2855, 2001 U.S. Dist. LEXIS 18281, at *4 (N.D. Ill. Nov. 5, 2001); United States v. Robinson, 121 F.3d 971, 975 (5th Cir. 1997).

- Just because a client sends a lawyer a copy of an internal or external communication. In re Central Gulf Lines, Inc., No. 97-3829 c/w 99-1888 SECTION: "E" (4), 2000 U.S. Dist. LEXIS 18019, at *6 (E.D. La. Dec. 4, 2000); Andritz Sprout-Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 633 (M.D. Pa. 1997).

- Just because a non-privileged document is attached to a privileged document. Blanchard v. EdgeMark Fin. Corp., 192 F.R.D. 233, 238 (N.D. U.C. Ill. 2000).

- Just because a lawyer attends a meeting. Marsh v. Safir, No. 99 Civ. 8605 (JGK)(MHD), 2000 U.S. Dist. LEXIS 5136, at *16-17, 45 (S.D.N.Y. Apr. 20, 2000).

- Just because a lawyer prepares the minutes of a meeting. Marten v. Yellow Freight Sys., Inc., No. 96-2013-GTV, 1998 U.S. Dist. LEXIS 268, at *30-31 (D. Kan. Jan. 6, 1998).

c. Client's Identity

The attorney-client privilege normally does not even protect the client's identity. Lefcourt v. United States, 125 F.3d 79, 86-87 (2d Cir. 1997); Flannigan v. Cudzik, Civ. A. No. 00-0307 SECTION: "K" (4), 2000 U.S. Dist. LEXIS 18788, at *2 (E.D. La. Dec. 18, 2000); United States v. Under Seal (In re Grand Jury Subpoena), 204 F.3d 516, 519-21, 523 (4th Cir. 2000).

- Some courts recognize a very narrow exception to this rule in the case of criminal cases in which the client's identity will incriminate the client. Subpoenaed Witness v. United States (In re Subpoenaed Grand Jury Witness), 171 F.3d 511, 513, 514 (7th Cir. 1999).

d. Attorney's Fees and Bills

The attorney-client privilege normally does not protect information about a lawyer's fee arrangement with a client, or the amount of fees paid. United States v. Under Seal (In re Grand Jury Proceedings), 33 F.3d 342, 354 (4th Cir. 1994) ("The attorney-client privilege normally does not extend to the payment of attorney's fees and expenses."); NLRB v. Harvey, 349 F.2d 900, 904-05 (4th Cir. 1965); In re Lorazepam & Clorazepate Antitrust Litig., MDL Dkt. No. 1290, Misc. No. 99-276 (TFH/JMF), 2001 U.S. Dist. LEXIS 11794, at *17-18 (D.D.C. July 16, 2001).

- The privilege might apply to specific information on a lawyer's bill that would reveal the substance of the lawyer's communications with the client. Montgomery County v. MicroVote Corp., 175 F.3d 296, 304 (3d Cir. 1999); Nesse v. Shaw Pittman, 202 F.R.D. 344, 356 (D.D.C. 2001).

e. Facts and Circumstances of the Communication

The attorney-client privilege normally does not protect the facts and circumstances of the privileged communication (such as where or when the communication occurred, how long meetings lasted, etc.). Cardtoons, L.C. v. Major League Baseball Ass'n, 199 F.R.D. 677 (N.D. Okla. 2001).

- In some situations, such background information can provide adversaries some possible insight into the substance of privileged communications. Miles Distribs. Inc. v. Specialty Constr. Brands, Inc., No. 3:04-CV-561 CAN, 2005 U.S. Dist. LEXIS 11061, at *6 (N.D. Ind. June 3, 2005) (ordering a defendant to answer the question: "After legal reviewed the letter, were changes made. . .?"; explaining that "[t]his inquiry does not encroach upon the attorney-client privilege because it is not addressing

the substance of the communication, but addresses the fact of whether any changes were made.")

f. General Description of the Lawyer's Services

The attorney-client privilege normally does not cover a general description of the lawyer's services. United States v. Legal Servs., 249 F.3d 1077, 1081 (D.C. Cir. 2001).

It can be very difficult to draw the line between permissible discovery requests asking for general information about a lawyer's services, and improper discovery requests that seek the substance of a client-lawyer communication.

- For instance, an adversary probably will be permitted to ask a client "did you talk with your lawyer about the contract," but probably will not be able ask "did you talk with your lawyer about the third sentence in section 6 of the contract?"

g. Historical Facts

It should go without saying that facts themselves are never privileged. Restatement (Third) of Law Governing Lawyers § 69 cmt. d (2000); I.L.G.W.U. Nat'l Ret. Fund v. Cuddlecoat, Inc., No. 01 Civ.4019(BSJ)(DFE), 2002 U.S. Dist. LEXIS 2993, at *5-6 (S.D.N.Y. Feb. 22, 2002).

- For instance, the stop light was either red or green -- that fact does not become privileged just because a client and a lawyer talk about the light.

However, this simple axiom has generated substantial confusion and some erroneous case law.

- Some courts looking just at the language of the principle have improperly stripped away the privilege from factual portions of an otherwise privileged communication between a lawyer and a client. Williams v. Sprint/United Mgmt. Co., No. 03-2200-JWL-DJW, 2006 U.S. Dist. LEXIS 4219, at *62 (D. Kan. Feb. 1, 2006) (ordering Sprint to produce "nonprivileged underlying factual information" in otherwise privileged documents); Myers v. City of Highland Village, 212 F.R.D. 324, 327 (E.D. Tex. 2003); PSE Consulting, Inc. v. Frank Mercede & Sons, Inc., 838 A.2d 135, 167 (Conn. 2004) (refusing to protect a lawyer's communications to a client that "merely reported back to [the client] what he had said to a third party and how the third party had responded"; because the communication was not "inextricably linked to the giving of legal advice," the memorandum did not deserve privilege protection; explaining that the memorandum was simply "a reconstitution of an event that occurred with third parties involved," and therefore failed the confidentiality component of the privilege (internal citations omitted)).
- Courts analyzing this issue properly protect the communication about the facts. In re ExxonMobil Corp., 97 S.W.3d 353 (Tex. Ct. App. 2003); VEPCO v. Westmoreland-LG&E Partners, 259 Va. 319, 326 (2000) (rejecting the argument that a letter providing factual information to a lawyer and seeking legal advice is discoverable because the adversary "is only seeking factual material, the contents of the letter, not the advice counsel gave to [clients] concerning the letter"; explaining that "the substance of the letter in this case constitutes the very matter for which legal advice was sought. There is no 'factual material' apart from the substance of the letter itself.").
- Of course, the party seeking the historical facts can engage in the normal discovery by seeking documents, deposing witnesses, etc., -- but they cannot invade the privilege protecting communications between clients and lawyers about those facts.

h. Information Obtained from Third Parties

Courts also debate whether the privilege protects communications in which lawyers relay to their clients information that the lawyers have obtained from third parties.

- Some courts take a very narrow view, and find these communications undeserving of privilege protection. Schmidt, Long & Assocs., Inc. v. Aetna U.S. Healthcare, Inc., Civ. A. No. 00-CV-3683, 2001 U.S. Dist. LEXIS 7145, at *10-12 (E.D. Pa. May 31, 2001).
- Courts are more likely to protect the communications if they include some lawyer input or analysis. In re Grand Jury Proceedings, No. M-11-189, 2001 U.S. Dist. LEXIS 15646, at *98, 99, 100 n.51 (S.D.N.Y. Oct. 3, 2001).

i. Most Narrow View of the Attorney-Client Privilege

Some courts take an extremely narrow view of the "legal advice" requirement.

- See, e.g., Seibu Corp. v. KPMG LLP, No. 3-00-CV-1139-X, 2002 U.S. Dist. LEXIS 906, at *9 (N.D. Tex. Jan. 18, 2002) (in assessing KPMG's lawyer-run investigation into its audit of a client, finding that KPMG had failed to establish that "any particular communication in connection with that investigation facilitated the rendition of legal advice to the client"; noting that the majority of documents relating to the investigation involved the determination of whether a KPMG partner should be required to withdraw, and noting that "[e]ven if lawyers were involved in making this decision, it is primarily an exercise of business judgment"; "The fact that counsel initiated the investigation that led to [the partner's] withdrawal does not cloak every communication made in that context with attorney-

client privilege. KPMG still must prove that the communication was made for the purpose of facilitating the rendition of legal services to the client.").

- Some courts examine the substance of a lawyer's advice in determining whether it is specific enough to warrant protection. Burton v. R. J. Reynolds Tobacco Co., 200 F.R.D. 661, 673 (D. Kan. 2001).

- Another narrow view of the "legal advice" requirement holds that the attorney-client privilege by definition will not protect documents prepared for review both by a lawyer and a non-lawyer. In re Central Gulf Lines, Inc., No. 97-3829 c/w 99-1888 SECTION: "E" (4), 2000 U.S. Dist. LEXIS 18019, at *6-7 (E.D. La. Dec. 4, 2000).

- Some courts parse communications so carefully that they deny privilege protection to a communication made by the client at a meeting after the lawyer rendered legal advice, holding that by definition the communication could not have been made to assist the lawyer in rendering the advice. Marsh v. Safir, No. 99 Civ. 8605 (JGK)(MHD), 2000 U.S. Dist. LEXIS 5136, at *39 (S.D.N.Y. Apr. 20, 2000).

2. Lawyers Playing Other Roles

Both inside and outside counsel can play roles other than as legal advisors, and the privilege does not protect communications to or from the lawyers acting in those other roles.

- Courts have denied privilege protection for communications to or from a lawyer acting as: friend (Restatement (Third) of Law Governing Lawyers § 72 cmt. c (2000)); negotiator (Georgia-Pacific Corp. v. GAF Roofing Mfg. Corp., No. 93 Civ. 5125, 1996 U.S. Dist. LEXIS 671, at *12 (S.D.N.Y. Jan. 25, 1996)); arranger of mailings (Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 489 (S.D.N.Y. 1993)); political advisor (In re Lindsey, 158 F.3d 1263, 1270 (D.C. Cir.), cert. denied, 525 U.S. 996 (1998)); committee member (Marten v. Yellow Freight Sys., Inc., Civ. A. No. 96-2013-GTV, 1998 U.S. Dist. LEXIS 268, at *25 (D. Kan. Jan. 6, 1998)); public relations specialist (Amway Corp. v. P & G Co., No. 1:98cv 726, 2001 U.S. Dist. LEXIS 4561, at *21-22 (W.D. Mich. Apr. 3, 2001)); Burton v. R.J. Reynolds Tobacco Co., 200 F.R.D. 661 (D. Kan. 2001); Sackman v. Liggett Group, Inc., 920 F. Supp. 357, 365 (E.D.N.Y. 1996)); lobbyist (In re Grand Jury Subpoenas, 179 F. Supp. 2d 270 (S.D.N.Y. 2001) (requiring the production of documents by lawyers who assisted Marc Rich in seeking a pardon from President Clinton); United States Postal Serv. v. Phelps Dodge Refining Corp., 852 F. Supp. 156, 164 (E.D.N.Y. 1994)); corporate officer (Lee v. Engle, Civ. A. Nos. 13323 & 13284, 1995 Del. Ch. LEXIS 149, at *8 (Del. Ch. Dec. 15, 1995)); collection agent (E.I. Du Pont de Nemours & Co. v. Forma-Pack, Inc., 718 A.2d 1129, 1142 (Md. 1998)); accreditation consultant (Mass. Sch. of Law at Andover v. Am. Bar Ass'n, 895 F. Supp. 88, 90-91 (E.D. Pa. 1995)); technical advisor (Fruehauf Trailer Corp. v. Hagelthorn, 528 N.W.2d 778 (Mich. Ct. App. 1995)); expert witness (ABA LEO 407 (5/13/77)); advisor on "engineering or equipment concerns" (In re General Instrument Corp. Sec. Litig., 190 F.R.D. 527, 531 (N.D. Ill. 2000)); accountant (United States v. Frederick, 182 F.3d 496, 501-02 (7th Cir. 1999)); tax preparer (United States v. Frederick, 182 F.3d 496, 500, 501 (7th Cir. 1999)); investment advisor (Liew v. Breen, 640 F.2d 1046, 1050 (9th Cir. 1981)); agent for the transfer of funds (Ralls v. United States, 52 F.3d 223, 226 (9th Cir. 1995)); claims investigator or adjuster (St. Paul Reinsurance Co. v. Commercial Fin. Corp., 197 F.R.D. 620 (N.D. Iowa 2000)); scrivener (Prevue Pet Prods., Inc. v. Avian Adventures, Inc., 200 F.R.D. 413, 416 (N.D. Ill. 2001)).

At one time, courts disagreed about the availability of privilege protection for communications to and from patent lawyers -- some courts held that patent lawyers simply acted as a "conduit" for submitting factual information to the government (Bio-Rad Labs., Inc. v. Pharmacia, Inc., 130 F.R.D. 116, 126 (N.D. Cal. 1990), while other courts found that such communications deserve privilege protection. Hydraflow, Inc. v. Enidine, Inc., 145 F.R.D. 626, 633 (W.D.N.Y. 1993).

- There has not been much recent case law on this issue, but the trend seems to be in favor of protecting such communications. Conoco, Inc. v. Warner-Lambert Co., Civ. A. No. 99-101 (KSH), 2000 U.S. Dist. LEXIS 1605, at *29 (D.N.J. Jan. 24, 2000).

In a key debate about this issue, some courts hold that the privilege does not protect communications to or from a lawyer acting as an investigator. Finova Capital Corp. v. Lawrence, No. 3-99-CV-2552-M, 2001 U.S. Dist. LEXIS 2087, at *4 (N.D. Tex. Feb. 22, 2001); Abramian v. President & Fellows of Harvard Coll., No. 93-5968-C, 2001 Mass. Super. LEXIS 598, at *7, *8 (Mass. Super. Ct. Nov. 29, 2001).

- Most courts take the opposite approach. Better Gov't Bureau v. McGraw (In re Allen), 106 F.3d 582, 602-03 (4th Cir. 1997), cert. denied, 522 U.S. 1047 (1998); Harding v. Dana Transp., Inc., 914 F. Supp. 1084, 1091 (D.N.J. 1996); United States v. Davis, 131 F.R.D. 391, 405 n.9 (S.D.N.Y. 1990).

3. Mixed Communications

a. Communications with Mixed Legal/Business Purposes

Courts often wrestle with communications that deal with both legal and business concerns.

- Most courts protect mixed legal-business communications if legal advice was the "primary purpose" of the communication. Cruz v. Coach Stores, Inc., 196 F.R.D. 228, 231 (S.D.N.Y. 2000); Nesse v. Shaw Pittman, 202 F.R.D. 344, 358 (D.D.C. 2001).

- Courts have applied this approach to in-house lawyers. Kelly v. Ford Motor Co. (In re Ford Motor Co.), 110 F.3d 954, 966 (3d Cir. 1997); United States Postal Serv. v. Phelps Dodge Refining Corp., 852 F. Supp. 156, 160 (E.D.N.Y. 1994).

- Some courts have found that even investigations run by corporate law departments and involving in-house lawyers do not deserve privilege protection because the investigations were primarily motivated by business concerns rather than the need for legal advice. Seibu Corp. v. KPMG LLP, No. 3-00-CV-1139-X, 2002 U.S. Dist. LEXIS 906, at *11 (N.D. Tex. Jan. 18, 2002); Amway Corp. v. Procter & Gamble Co., No. 1:98cv 726, 2001 U.S. Dist. LEXIS 4561, at *26-27 (W.D. Mich. Apr. 3, 2001).

Courts sometimes point to wide circulation of privileged communication in finding that the communication primarily related to business (rather than legal) matters, and thus did not deserve privilege protection at all. de Espana v. Am. Bureau of Shipping, No. 03 Civ. 3573 (LTS) (RLE), 2005 U.S. Dist. LEXIS 33334, at *6 (S.D.N.Y. Dec. 14, 2005) (assessing a privilege claim; noting that the email recipients included a number of business executives; "The inclusion of ABS employees outside the legal department as recipients further support [sic] the conclusion that the e-mails contain business advice."); Lyondell-Citgo Refining, LP v. Petroleos de Venezuela, S.A., No. 02 Civ. 0795 (CBM), 2004 U.S. Dist. LEXIS 26076, at *3 (S.D.N.Y. Dec. 24, 2004) (explaining that "the inclusion of people outside the legal department in the recipient list further supported the conclusion that the email contained business advice.")

- One court analyzed this issue by comparing the small number of executives receiving the privileged communications to the total number of the company's employees -- which weighed against a finding that that the disclosure indicated a non-privileged purpose. SmithKline Beecham Corp. v. Apotex Corp., 232 F.R.D. 467, 478 (E.D. Pa. 2005) ("Plaintiff has identified with specificity nearly every person who received each document. . . . Each document purportedly served the purpose of either securing or providing legal advice or legal services – they were not routine business communications. . . . None of these documents was widely distributed. The recipient lists were limited to between five and twenty-five individuals within a 50,000-person organization.").

b. Communications with Mixed Components

If a communication contains both privileged and non-privileged components, the privilege protects only the former.

In the case of documents, this principle sometimes calls for the producing party to redact the privileged portion of such a mixed document. Judicial Watch, Inc. v. United States Postal Serv., 297 F. Supp. 2d 252 (D.D.C. 2004).

- As a practical matter, litigants seem to use such redaction only in documents containing discrete portions that obviously lend themselves to such a process (such as agendas or minutes of meetings with clearly separate sections that can be considered individually).

4. Special Rules for In-House Lawyers

Because in-house lawyers often provide business or other nonlegal advice, most courts apply a heightened scrutiny to communications to or from in-house counsel. United States v. Dakota, 197 F.3d 821, 825 (6th Cir. 1999). B.F.G. of Ill., Inc. v. Ameritech Corp., No. 99 C 4604, 2001 U.S. Dist. LEXIS 18930, at *15, 16, 16-17, 21 (N.D. Ill. Nov. 8, 2001) (explaining that the court "will not tolerate the use of in-house counsel to give a veneer of privilege to otherwise non-privileged business communications"; recognizing that there is "a particular burden" on a corporation to demonstrate why communications with an in-house lawyer "deserve protection and are not merely business documents"; ordering certain documents to be produced and awarding attorneys' fees based on an incomplete and inaccurate privilege log prepared by the Chicago law firm of Winston & Strawn for its client Ameritech); Amway Corp. v. Procter & Gamble Co., No. 1:98cv 726, 2001 U.S. Dist. LEXIS 4561, at *17-18 (W.D. Mich. Apr. 3, 2001) ("The mere fact that a certain function is performed by an individual with a law degree will not render the communications made to the individual privileged. . . . Where, as here, in-house counsel appears as one of many recipients of an otherwise business-related memo, the federal courts place a heavy burden on the proponent to make a clear showing that counsel is acting in a professional legal capacity and that the document reflects legal, as opposed to business, advice.").

- In undertaking this analysis, courts sometimes look at whether the corporate employee possessing a law degree works as part of the corporation's law department. Boca Investerings P'ship v. United States, 31 F. Supp. 2d 9, 12 (D.D.C. 1998) ("There is a presumption that a lawyer in the legal department or working for the general counsel is most often giving legal advice, while the opposite presumption applies to a lawyer. . . who works for the Financial Group or some other seemingly management or business side of the house. . . . A lawyer's place on the organizational chart is not always dispositive, and the relative presumption therefore may be rebutted by the party asserting the privilege").

- Those with law degrees working outside the law department will have even a more difficult time proving that their communications deserve privilege protection. Boca Investerings P'ship v. United States, 31 F. Supp. 2d 9, 12 (D.D.C. 1998).

5. Crime/Fraud

The attorney-client privilege obviously does not protect communications relating to a client's planning for commission of a future crime. Restatement (Third) of Law Governing Lawyers § 82 (2000).

- Of course, the privilege can cover communications between clients and lawyers about past crimes, frauds or other wrongdoing (under the right circumstance).

- The crime-fraud "exception" (which really is not an exception at all) applies only to communications about future wrongdoing.

Most courts require the party seeking to overcome the attorney-client privilege by relying on the crime-fraud exception to make some level of an independent showing of probable cause that a crime or other covered wrongdoing has been committed or was planned, and that the privileged information related to the crime or wrongdoing. In re Grand Jury Subpoena, 223 F.3d 213, 217, 219 (3d Cir. 2000); United States v. Under Seal (In re Grand Jury Proceedings), 33 F.3d 342, 348 (4th Cir. 1994); Riggs Nat'l Bank v. Andrews (In re Andrews), 186 B.R. 219, 222 (Bankr. E.D. Va. 1995); X Corp. v. Doe, 805 F. Supp. 1298, 1307 (E.D. Va. 1992); Cogdill v. Commonwealth, 219 Va. 272, 276 (1978).

- The crime-fraud exception does not apply "'simply because privileged communications would provide an adversary with evidence of a crime or fraud.'" United States v. Stewart, No. 03 Cr. 717 (MGC), 2003 U.S. Dist. LEXIS 23180 (S.D.N.Y. Dec. 29, 2003) (internal citation omitted).

The court also recognized a separate (lower) level of proof required to justify an in-camera review of the privileged communications to determine if the crime-fraud exception applies. In re Grand Jury Proceedings, 417 F.3d 18, 23 (1st Cir. 2005) (noting that many decisions focus on the level of proof necessary to justify a court's in camera review of the communications at issue, rather than on the standard required to actually strip away the privilege; the former analysis generally requires a "prima facie" finding that the otherwise privileged communications involved a future crime, while the latter requires that "there is a reasonable basis to believe that the lawyer's services were used by the client to foster a crime or fraud.")

Judicial discussion of the crime-fraud exception often involves one of two issues.

First, courts debate what wrongdoing can trigger the crime-fraud exception.

- All courts apply the doctrine to crimes. Union Camp Corp. v. Lewis, 385 F.2d 143, 144 (4th Cir. 1967).

- Most courts also apply it to fraud. United States v. Richard Roe, Inc. (In re Richard Roe, Inc.), 168 F.3d 69, 71 (2d Cir. 1999).

- Other courts have extended the doctrine to: bad faith litigation conduct (Cleveland Hair Clinic, Inc. v. Puig, 968 F. Supp. 1227, 1241 (N.D. Ill. 1996)); "a conspiracy to deprive Plaintiffs of their civil rights" (Horizon of Hope Ministry v. Clark County, Ohio, 115 F.R.D. 1, 6 (S.D. Ohio 1986)); "gross negligence" (Derrick Mfg. Corp. v. Southwestern Wire Cloth, Inc., 934 F. Supp. 813, 816 (S.D. Tex. 1996)); intentional torts (Restatement (Third) of Law Governing Lawyers § 82 cmt. d (2000)); unprofessional or unethical behavior (Blanchard v. EdgeMark Fin. Corp., 192 F.R.D. 233, 241 (N. D. Ill. 2000)); false discovery responses and deposition testimony (Patel v. Allison, 54 Va. Cir. 155 (Va. Cir. Ct. 2000); electronic document spoliation. Rambus, Inc. v. Infineon Techs. AG, 220 F.R.D. 264 (E.D. Va. 2004).

Second, courts disagree about the relationship required between the wrongdoing and the otherwise privileged communication.

- Some courts merely require some connection between the wrongdoing and the communication (United States v. Paz, 124 F. App'x 743, 746 (3d Cir. 2005) (explaining that the crime fraud exception applied if the otherwise privileged communication was "related" to the criminal activity); In re Grand Jury Proceeding Impounded, 241 F.3d 308 (3d Cir. 2001); while most courts insist that the otherwise privileged communication have played a role in furthering the crime or fraud. Tri-State Hosp. Supply Corp. v. United States, 226 F.R.D. 118, 133 (D.D.C. 2005) (requiring that the client "'made or received the otherwise privileged communication with the intent to further an unlawful or fraudulent act'" (internal citation omitted). In re BankAmerica Corp. Sec. Litig., 270 F.3d 639, 642 (8th Cir. 2001); Renner v. Chase Manhattan Bank, No. 98 Civ. 926 (CSH), 2001 U.S. Dist. LEXIS 17920, at *35, 36 (S.D.N.Y. Nov. 1, 2001).

- Significantly, most courts do not require that the lawyer realize that his or her communication is assisting the wrongdoing. In re BankAmerica Corp. Sec. Litig., 270 F.3d 639, 642 (8th Cir. 2001).

Some courts' expansive application of the crime-fraud exception had threatened to swallow the attorney-client privilege, but a recent case took a welcome narrow view -- requiring that a securities law plaintiff present some proof of fraudulent conduct, and criticizing the lower court for failing to conduct an in-camera review of the pertinent documents. In re BankAmerica Corp. Sec. Litig., 270 F.3d 639 (8th Cir. 2001).

E. Context of the Communication

1. Expectation of Confidentiality

a. Basis of the Requirement

As discussed above, the attorney-client privilege depends on the intimacy of the attorney-client relationship, and exists only to the extent that the client expects the communication to remain confidential within that attorney-client relationship. Wesp v. Everson, 33 P.3d 191, 198 (Colo. 2001).

b. Treating Privileged Communications Like the "Crown Jewels"

Clients and lawyers must remember that the privilege will survive only if they treat privileged communications very carefully.

- One court used a colorful but accurate phrase when discussing how careful clients and their lawyers must be. In re Sealed Case, 877 F.2d 976, 980 (D.C. Cir. 1989) ("[I]f a client wishes to preserve the privilege, it must treat the confidentiality of attorney-client communications like jewels --if not crown jewels.").

Courts continue to emphasize this concept, even if they do not use that phrase.

- Chase v. City of Portsmouth, Civ. No. 2:05cv446, 2006 U.S. Dist. LEXIS 29294, at *20 (E.D. Va. Apr. 20, 2006) (holding that a City Attorney's letter to the City Council and others deserved privilege protection; but finding that the City had lost the privilege protection by not treating the letter carefully enough -- pointing to the transmission of the letter in unsealed plain envelopes and through use of a fax machine in a City Council member's home (even pointing to the lack of a written policy on the treatment of privileged documents, and to the lack of any training programs on the privilege); also finding that the letter deserved work product protection, which can survive "[l]imited disclosure to third parties" and therefore continued to protect the letter).

c. Relationship to the Waiver Doctrine

The "expectation of confidentiality" requirement is related to the waiver doctrine (discussed below).

- Communications made with no expectation of confidentiality deserve no privilege protection from the beginning, while privileged communications or documents may later lose their privilege protection if they are shared with others (the privilege having been "waived"). Griffith v. Davis, 161 F.R.D. 687, 694 (C.D. Cal. 1995).
- The main difference between these two concepts arises if the communication is shared with someone outside the attorney-client privilege. This sharing of privileged communications outside the attorney-client relationship can cause a subject matter waiver -- requiring the disclosure of additional documents on the same subject matter (this is explained below). This sharing of non-privileged documents does not carry this additional risk. Wesp v. Everson, 33 P.3d 191, 198 (Colo. 2001).

d. Communications in the Presence of Third Parties

The attorney-client privilege does not protect communications conducted in the presence of those outside the attorney-client privilege. United States v. Pelullo, 5 F. Supp. 2d 285, 289 (D.N.J. 1998).

Courts have held that the presence of third parties (outside the intimacy of the attorney-client relationship) can prevent the privilege from ever arising.

- Examples include: friend (United States v. Evans, 113 F.3d 1457 (7th Cir. 1997)); family member (D.A.S. v. State, 863 P.2d 291 (Colo. 1993)); outside company accountant attending a board of directors meeting (Ampa Ltd. v. Kentfield Capital LLC, No. 00 Civ. 0508 (NRB)(AJP), 2000 U.S. Dist. LEXIS 11638, at *1 (S.D.N.Y. Aug. 16, 2000)); independent contractor or consultant on mental health issues (Crowley v. L.L. Bean, Inc., No. 00-183-P-C, 2001 U.S. Dist. LEXIS 3726, at *3 (D. Me. Feb. 1, 2001)); third-party doctor participating in a telephone call between a lawyer and a client (Cooney v. Booth, 198 F.R.D. 62 (E.D. Pa. 2000)); investment banker attending a corporate board meeting (Nat'l Educ. Training Group, Inc. v. SkillSoft Corp., No. M8-85 (WHP), 1999 U.S. Dist. LEXIS 8680, at *10 (S.D.N.Y. June 9, 1999)); spouse (Wesp v. Everson, 33 P.3d 191, 199 (Colo. 2001)); employee from another company (Liggett Group, Inc. v. Brown & Williamson Tobacco Corp., 116 F.R.D. 205, 211 (M.D.N.C. 1986)); co-worker (State v. Longo, 789 S.W.2d 812, 815 (Mo. Ct. App. 1990)); ally (Federal Election Comm'n v. Christian Coalition, 178 F.R.D. 61, 72 (E.D. Va.), aff'd in part, modified in part, 178 F.R.D. 456 (E.D. Va. 1998)); witness attending a meeting between a client and lawyer (Jones v. Ada S. McKinley Cmty. Servs., No. 89 C 0319, 1989 U.S. Dist. LEXIS 14312, at *4 (N.D. Ill. Nov. 28, 1989)); videographer preparing to videotape a dying plaintiff's statement. Grenier v. City of Norwalk, No. X06CV0001694835, 2004 Conn. Super. LEXIS 3719, at *2 (Conn. Super. Ct. Dec. 16, 2004) (holding that the videographer's presence "was necessary for the videotaping of Johnson's statement" but "was not necessary for Johnson to consult with her attorney"; because "the attorney could have easily and effectively communicated with his client outside of [the videographer's] presence," his presence destroyed the privilege.)
- Courts sometimes apply this principle in surprising situations. Black v. State, 920 So. 2d 668 (Fla. Dist. Ct. App. 2006) (rejecting a convicted

robber's appeal, which was based on the court's admission of the robber's statements during a telephone call he placed from jail to his lawyer; noting that the robber's sister placed the call and then stayed on the line – thus destroying any chance of privilege); Grenier v. City of Norwalk, No. X06CV0001694835, 2004 Conn. Super. LEXIS 3719, at *2 (Conn. Super. Ct. Dec. 16, 2004) (holding that a plaintiff's lawyer waived the privilege by speaking to his terminally ill client in front of a videographer setting up to videotape a statement by the client; noting that "[t]he attorney could have easily and effectively communicated with his client outside of [the videographer's] presence").

Some courts have held that otherwise privileged communications occurring in the presence of third parties lose the protection only if someone actually overheard the privileged communication. Ashkinazi v. Sapir, No. 02 CV 0002 (RCC), 2004 U.S. Dist. LEXIS 14523, at *4 (S.D.N.Y. July 27, 2004).

2. Expectation of Disclosure

The mirror-image of the "expectation of confidentiality" is of course an expectation that a communication will be disclosed outside the intimate attorney-client relationship.

It should go without saying that communications the client expects to reveal to others do not deserve protection under the attorney-client privilege. Restatement (Third) of Law Governing Lawyers § 71 cmt. d (2000).

- This includes such common documents as securities filings, offering for proxy materials, etc. In re Grand Jury Proceedings, 220 F.3d 568, 571-72 (7th Cir. 2000).

Some courts erroneously apply the "expectation of disclosure" principle beyond just the documents intended to be revealed -- stripping away privilege protection for all related materials.

This concept does not make much sense, but some state courts and federal courts have relied on this principle to trip away privilege protection.

Courts taking what seems to be a more common-sense view apply the privilege to any information that is not ultimately disclosed. Schenet v. Anderson, 678 F. Supp. 1280 (E.D. Mich. 1988).

3. Drafts

Courts' analysis of the "expectation of confidentiality" element of the attorney-client privilege (and some courts' misapplication of that issue) can be critical when courts consider the privilege protection applicable to internal drafts of documents whose final version will be disclosed outside the attorney-client relationship.

- Some courts apply the "expectation of confidentiality" doctrine broadly, and preclude any privilege or work product protection for such drafts. Burton v. R.J. Reynolds Tobacco Co., 170 F.R.D. 481, 485 (D. Kan. 1997) ("When documents are prepared for dissemination to third parties, neither the document itself, nor preliminary drafts, are entitled to immunity. Documents which the client does not reasonably believe will remain confidential are not protected."); Abramian v. President & Fellows of Harvard Coll., No. 93-5968-C, 2001 Mass. Super. LEXIS 598, at *9, *13 (Mass. Super. Ct. Nov. 29, 2001).

- Other courts take what is the more logical approach, and protect any drafts that are not ultimately revealed. Muncy v. City of Dallas, Civ. A. No. 3:99-CV-2960-P, 2001 U.S. Dist. LEXIS 18675, at *10-11 (N.D. Tex. Nov. 13, 2001); Long v. Anderson Univ., 204 F.R.D. 129, 135 (S.D. Ind. 2001); Nesse v. Shaw Pittman, 202 F.R.D. 344, 351 (D.D.C. 2001); Alexander v. FBI, 198 F.R.D. 306, 312 (D.D.C. 2000) ("Drafts of documents that are prepared with the assistance of counsel for release to a third party are protected under attorney-client privilege."); N.V. Organon v. Elan Pharms., Inc., No. 99 Civ. 11674 (JGK) (RLE), 2000 U.S. Dist. LEXIS 5629, at *5 (S.D.N.Y. Apr. 27, 2000).

Although it should make no difference from a conceptual standpoint, lawyers might want to consider communicating their thoughts about drafts in separate documents directed to their clients.

- For example, a lawyer reviewing a draft proxy statement or a client's affidavit intended to be used in litigation should consider conveying legal advice about those documents in a memorandum to the client that articulates the privileged nature of the communication and has a proper legend on it.

- A court conducting an in camera review of documents included on a privilege log in later litigation might be more inclined to protect such a document, while the same court might misapply the "expectation of confidentiality" principle and order the production of a draft of the document itself, which contains a lawyer's handwritten note scribbled on the margin -- even if the handwritten marginal note contains the same substantive legal advice as the stand-alone memorandum.

4. Common Interest Doctrine

The "joint defense" or "common interest" doctrine is in some ways an anomaly in the law of privilege.

a. History of the Doctrine

Starting with an old Virginia case (Chahoon v. Commonwealth, 62 Va. (21 Gratt.) 822, 841-43 (1871)), court carved out an exception to both the "expectation of confidentiality" and the "waiver" concepts.

- The exception permitted certain outsiders who were not within the intimacy of the attorney-client relationship to engage in communications that were privileged from the beginning, or later share privileged communications -- without causing a waiver.

- Those originally included within this narrow exception were criminal co-defendant who wanted to cooperate with their fellow co-defendants in preparing a cooperative defense to the government's criminal charges.

b. Expansion to the "Common Interest" Doctrine

Starting with what was called the "joint defense" doctrine, court eventually expanded this exception -- most courts ultimately calling it the "common interest" doctrine to represent this expanded concept. In re Grand Jury Subpoenas, 89-3 & 89-4, John Doe 89-129, 902 F.2d 244, 249 (4th Cir. 1990) (noting that what was called the "joint defense privilege" is "more properly identified as the 'common interest rule'" (citing United States v. Schwimmer, 892 F.2d 237, 243 (2d Cir. 1989))).

c. Difference between the Common Interest Doctrine and Multiple Representations

Although some courts get it wrong, the "common interest" doctrine is fundamentally different from the "multiple representation" situation discussed above -- which involves the same lawyer representing more than one client on the same matter.

- In contrast, the "common interest" doctrine applies to communication among different clients with different lawyers. Restatement (Third) of Law Governing Lawyers § 76 cmt. e (2000).

- Surprisingly, some courts use the term "common interest doctrine" when referring to multiple clients retaining the same lawyer -- although that situation involves a joint representation, not a "common interest" arrangement. Hanson v. U.S. Agency for Int'l Dev., 372 F.3d 286, 292, 294 (4th Cir. 2004).

d. True Nature of the Common Interest Doctrine

Properly considered, the "common interest" doctrine is not a separate privilege or protection -- it instead merely eliminates what would be the ill effects of the "expectation of confidentiality" element (which would otherwise defeat the privilege ab initio if those outside the intimate attorney-client relationship participate in the original communication) or the "waiver" element (which would otherwise destroy the privilege if protected communications are shared outside the intimate attorney-client relationship). McNally Tunneling Corp. v. City of Evanston, No. 00 C 6979, 2001 U.S. Dist. LEXIS 170902, at *6 (N.D. Ill. Oct. 16, 2001).

e. Courts Taking a Broad View of the Common Interest Doctrine

Courts taking a broad view of the common interest doctrine protect communications between co-defendants and co-plaintiffs, whether or not litigation has actually begun, and whether or not the clients sharing the common interests also have some adverse interests. Restatement (Third) of Law Governing Lawyers § 76 cmt. e (2000); United States v. Moscony, 927 F.2d 742, 753 (3d Cir.), cert. denied, 501 U.S. 1211 (1991); United States v. Zolin, 809 F.2d 1411, 1417 (9th Cir. 1987); Prevue Pet Prods., Inc. v. Avian Adventures, Inc., 200 F.R.D. 413, 417 (N.D. Ill. 2001); Wsol v. Fiduciary Mgmt. Assocs., Inc., No. 99 C 1719, 1999 U.S. Dist. LEXIS 19002, at *14-15 (N.D. Ill. Dec. 6, 1999).

f. Courts Taking a Narrow View of the Common Interest Doctrine

Many courts take a narrow view of the common interest doctrine, and the trend appears to be in favor of narrowing the doctrine's reach. United States v. Aramony, 88 F.3d 1369, 1392 (4th Cir. 1996), cert. denied, 520 U.S. 1239 (1997).

First, courts are increasingly likely to find that the "common interest" is commercial rather than legal, thus rendering the doctrine inapplicable.

- In one celebrated case, a well-known New York law firm representing a bank in a large merger shared privileged communications with J. P. Morgan and Goldman Sachs, who acted as the bank's investment advisors. Stenovitch v. Wachtell, Lipton, Rosen & Katz, 756 N.Y.S.2d 367 (N.Y. Sup. Ct. 2003). When investors sued the bank, the law firm attempted to rely on the "common interest" doctrine to protect the communication shared with the investment advisors -- who otherwise would have been the kind of client agents who (as explained above) are outside the attorney-client relationship.

- A New York court rejected the common interest argument, and found that the law firm had waived the bank's privilege by sharing protected communications with investment advisors.

- Even worse, the court found that the sharing caused a subject matter waiver -- thus requiring the bank to disclose even more protected communications to the private plaintiffs (the concept of the "subject matter waiver" is discussed below).

Second, courts are increasingly requiring that participants in a common interest agreement be involved in or anticipate litigation before applying the doctrine.

- Some courts apply the doctrine only in the case of pending litigation. Boston Auction Co. v. Western Farm Credit Bank, 925 F. Supp. 1478, 1482-83 (D. Haw. 1996).

- Some courts require that litigation be a "palpable reality." In re Santa Fe Int'l Corp., 272 F.3d 705, 714 (5th Cir. 2001) (internal quotations and citation omitted).

- One case required the same sort of "anticipation of litigation" necessary for the work product doctrine protection (discussed below) before it recognized the efficacy of a "common interest" agreement. United States v. Duke Energy Corp., 214 F.R.D. 383, 390 (M.D.N.C. 2003); American Legacy Found. v. Lorillard Tobacco Co., Civ. A. No. 19406, 2004 Del. Ch. LEXIS 157 at *16 (Del. Ch. Nov. 3, 2004) (finding that a Wilmer Cutler client had not waived the attorney-client privilege covering that law firm's advice by sharing the advice with the client's advertising agency, because the client and the agency could "foresee potential litigation" and therefore could rely on the "common interest doctrine").

g. Privileged Nature of the Common Interest Agreement Itself

Courts disagree about the privileged nature of the common interest agreement itself. McNally Tunneling Corp. v. City of Evanston, No. 00 C 6979, 2001 U.S. Dist. LEXIS 17090 (E.D. Ill. Oct. 16, 2001); Power Mosfet Techs. v. Siemens AG, No. 2:99CV168, 2000 U.S. Dist. LEXIS 19898, at *13 n.12 (E.D. Tex. Oct 30, 2000).

h. Later Adversity Among Common Interest Agreement Participants

Later adversity between common interest participants can have differing effects, depending on the degree of adversity.

First, litigation adversity among participants in a common interest agreement normally deprives any of the participants from withholding privileged communications from their adversary. United States v. Agnello, 135 F. Supp. 2d 380 (E.D.N.Y.), aff'd, 16 F. App'x 57 (2d Cir. 2001); Hillerich & Bradsby Co. v. MacKay, 26 F. Supp. 2d 124, 127 (D.D.C. 1998).

Second, less serious adversity between common interest participants generally will not destroy each participant's right to "veto" another participant's attempt to reveal protected communications.

- For instance, a company entering into a common interest agreement with an executive might lose the sole power to control the privilege if the company and executive later become adversaries, but not begin litigating against each other. Under Seal v. United States (In re Grand Jury Subpoena), 415 F.3d 333 (4th Cir. 2005) (finding that the executive hoping to veto the company's disclosure of privileged communications to the government had not established the existence of a common interest agreement between the company and executive).

- A law firm representing one member of a common interest agreement consortium may be prohibited by the conflicts of interest rules from later taking positions adverse to another member, absent a prospective or contemporaneous consent after full disclosure. GTE North, Inc. v. Apache Prods. Co., 914 F. Supp. 1575, 1581 (N.D. Ill. 1996).

- One well-known law firm recently lost a battle involving this issue. In re Gabapentin Patent Litig., 407 F. Supp. 2d 607, 615 (D.N.J. 2005) (disqualifying Kaye Scholer from representing the plaintiff Pfizer in a large case, because Kaye Scholer had hired two lawyers who had previously worked at another firm for one of the defendants in the case; noting that two lawyers had obtained their former client's consent for Kaye Scholer to represent the plaintiff, and that Kaye Scholer had completely screened them from the firm's representation of Pfizer, but concluding that the two lawyers Kaye Scholer hired had a "fiduciary and implied attorney-client relationship" with the other defendants who had been part of a common interest arrangement, so that they could seek Kaye Scholer's disqualification from representing the plaintiff).

i. Dangers of Common Interest Agreements

Governmental investigators or prosecutors often view with suspicion any cooperation between companies and their employees, so company lawyers handling criminal matters should be very careful when entering into joint defense agreements with company employees.

- Even in civil litigation, if the applicable privilege law does not protect the common interest agreement itself, there is some danger that an adversary might rely upon the agreement to bolster some conspiracy claim.

In appropriate circumstances, company lawyers should arrange for a written common interest agreement with company employees, affiliates, or third parties with whom the company might share a common legal interest.

F. Use: Avoiding Waiver of the Privilege

1. General Rules

Lawyers play an especially important role in avoiding waiver of the attorney-client privilege, because clients cannot be expected to understand some of the waiver doctrine's subtleties.

Even some of the seemingly basic waiver rules can create complications.

For instance, a waiver usually occurs only if the disclosure is voluntary -- not if it is compelled. Restatement (Third) of Law Governing Lawyers § 79 cmt. g (2000); Amway Corp. v. Procter & Gamble Co., No. 1:98cv 726, 2001 U.S. Dist. LEXIS 4561 (W.D. Mich. Apr. 3, 2001).

- However, a litigant seeking to avoid a finding of waiver might argue that a hastily ordered document production amounted to a compelled disclosure (Transamerica Computer Co. v. IBM Corp., 573 F.2d 646, 650-51 (9th Cir. 1978)), or contend that the production of a privileged document was "compelled" because they would have lost a fight over privilege. Urban Box Office Network, Inc. v. Interfase Managers, L.P., No. 01 Civ. 8854 (LTS) (THK), 2004 U.S. Dist. LEXIS 21229 (S.D.N.Y. Oct. 19, 2004) (rejecting this argument).

Although all courts agree that the privilege's proponent has the burden proof, courts have debated who has the burden of proving waiver.

- Some courts hold that privilege's proponent must prove lack of waiver (Wells v. Liddy, 37 F. App'x 53, 65 (4th Cir. 2002)), while other courts place the burden on the party challenging the privilege. Times-Picayune Pub. Corp. v. Zurich Am. Ins. Co., Civ. A. No. 02-3263 Section "M" (2), 2004 U.S. Dist. LEXIS 1027, at *26 (E.D. La. Jan. 26, 2004) (holding that "[o]nce a claim of privilege has been established, the burden of proof shifts to the party seeking discovery to prove any applicable exception to the privilege, such as waiver").

Many clients (and even lawyers) are surprised by the attorney-client privilege's fragility.

- The attorney-client privilege is so fragile that Martha Stewart waived the attorney-client privilege covering an e-mail to her lawyer by later sharing the e-mail with her own daughter. United States v. Stewart, 287 F. Supp. 2d 461 (S.D.N.Y. 2003).

- Voluntarily disclosing privileged communications to someone outside the intimacy of the attorney-client relationship generally causes a waiver even if the privilege's owner and the third party enter into a strict confidentiality agreement -- which may create a contractual obligation to keep the communications secret, but which does not prevent destruction of the privilege protection. Urban Box Office Network, Inc., v. Interfase Managers, L.P., No. 01 Civ. 8854 (LTS) (THK), 2004 U.S. Dist. LEXIS 21229 (S.D.N.Y. Oct. 19, 2004). This means that others who are not bound by the contractual agreement generally may seek access to the shared communications that were previously privileged.

2. Who Can Waive the Privilege

One key question is of course who can waive a corporation's attorney-client privilege -- since many agents of the corporation deal with communication whose privilege is owned by the intangible institution.

a. Current Company Employees

Some courts hold that only a company's management may waive the attorney-client privilege. United States v. Agnello, 135 F. Supp. 2d 380, 384-85 (E.D.N.Y. 2001).

Other courts hold that employees trusted with privileged information may also waive the attorney-client privilege. Moskowitz v. Lopp, 128 F.R.D. 624, 638 (E.D. Pa. 1989); Jonathan Corp. v. Prime Computer, Inc., 114 F.R.D. 693, 696 n.6, 698-99 (E.D. Va. 1987).

- Even these courts hold that a disloyal employee may not waive the corporation's privilege by surreptitiously revealing privileged information. In re Grand Jury Proceedings, 219 F.3d 175 (2d Cir. 2000).

b. Former Company Employees

Most courts hold that a corporation's former officers and the directors or employees cannot waive the corporation's privilege. In re Grand Jury Subpoena, 274 F.3d 563, 571 (1st Cir. 2001); Shaffer v. OhioHealth Corp., No. 03AP-102, 2004 Ohio App. LEXIS 15 (Ohio Ct. App. Jan. 8, 2004).

- As discussed above, courts have debated whether corporations can deny requests by now-adverse former executives or directors for access to privileged communications to which they had access while working for the corporation.

- Of course, finding that former directors or executives are entitled to see privileged documents to which they had access while at the company does not give them the right to waive the company's privilege.

c. Lawyers

Most courts hold that a company's lawyer may waive the privilege. Restatement (Third) of Law Governing Lawyers § 78 cmt. c (2000).

d. Jointly Represented Clients

Jointly represented clients generally must join in any waiver of the jointly owned attorney-client privilege. Restatement (Third) of Law Governing Lawyers § 75 cmt. e (2000).

- This is one of the reasons why lawyers should rarely (if ever) enter into a joint representation of a company and an employee on the same matter. Under Seal v. United States (In re Grand Jury Subpoena), 415 F.3d 333 (4th Cir. 2005) (finding that company lawyers did not jointly represent an executive, so that the company maintained sole ownership of the privilege and did not need the executive's permission to provide the government access to privileged communications with the executive).

If the formerly jointly represented clients become litigation adversaries, either of the clients generally can use the privileged communications against their now-adversary. Restatement (Third) of Law Governing Lawyers § 75 cmt. d (2000).

e. Common Interest Agreement Participants

Analyzing who can waive the privilege becomes more complicated in situations where clients share a lawyer or have entered into a common interest arrangement.

First, no single client who is jointly represented, and no single member of a common interest arrangement may waive the privilege covering joint communications -- all of the clients or all of the common interest participants generally must join in any waiver. Restatement (Third) of Law Governing Lawyers § 76 cmt. g (2000); John Morrell & Co. v. Local Union 304A, 913 F.2d 544, 556 (8th Cir. 1990).

Second, if jointly represented clients become adversaries in a future proceeding, either one may generally waive the privilege that would otherwise cover their joint communications with their common lawyer. Restatement (Third) of Law Governing Lawyers § 75 & cmt. d (2000); FDIC v. Ogden Corp., 202 F.3d 454, 461 (1st Cir. 2000).

- The former jointly represented client might even be given access to communications between the other client and the common lawyer to which the client was not privy at the time.

Third, if participants in a common interest arrangement become adversaries in a future proceeding, generally any of the participants may use otherwise privileged communications against the others. Hillerich & Bradsby Co. v. MacKay, 26 F. Supp. 2d 124, 127 (D.D.C. 1998); Sec. Investor Prot. Corp. v. Stratton Oakmont, Inc., 213 B.R. 433, 439 (Bankr. S.D.N.Y. 1997); Opus Corp. v. IBM Corp., 956 F. Supp. 1503, 1506 (D. Minn. 1996).

- Unlike a joint defense arrangement, a common interest agreement participant in such a situation will not be given access to private communications that the other participants had with their own lawyers.

- However, each participant's lawyer's receipt of confidential information as part of the common interest arrangement generally will disqualify the lawyer from adversity to other participants, absent a prospective or contemporaneous consent. GTE North, Inc. v. Apache Prods. Co., 914 F. Supp. 1575, 1581 (N.D. Ill. 1996).

3. Express Waiver Outside the Company

Sharing privileged communications outside the company normally does not amount to a waiver if they are shared with other companies in the same corporate family or under some common interest agreement. Tenneco Auto. Inc. v. El Paso Corp., Civ. A. No. 18810-NC, 2001 Del. Ch. LEXIS 138, at *5-6 (Del. Ch. Nov. 5, 2001); Strougo v. BEA Assocs., 199 F.R.D. 515 (S.D.N.Y. 2001).

On the other hand, common sense would dictate that voluntarily sharing privileged communications outside the corporation risks waiver of the privilege. Such disclosure can occur intentionally or inadvertently.

a. Intentional Disclosure

The **intentional** sharing privileged communications outside the company normally waives the attorney-client privilege.

- One court used a trite but useful phrase in assessing waiver. United States v. Morrell-Corrada, 343 F. Supp. 2d 80, 88 (D.P.R. 2004) ("Where a client chooses to share communications between himself and his lawyer outside the 'magic circle' of secretaries and interpreters, the courts have usually found a waiver of the privilege.").

- Courts have found that clients (or their lawyers) sharing privileged communications with the following third parties causes a waiver: investment banker (United States v. Ackert, 169 F.3d 136 (2d Cir. 1999); National Educ. Training Group, Inc. v. Skillsoft Corp., No. M8-85 (WHP), 1999 U.S. Dist. LEXIS 8680, at *12-13 (S.D.N.Y. June 10, 1999); In re Consol. Litig. Concerning Int'l Harvester's Disposition of Wis. Steel, 666 F. Supp. 1148, 1156-57 (N.D. Ill. 1987)); investment advisor (Stenovitch v. Wachtell, Lipton, Rosen & Katz, 756 N.Y.S.2d 367 (N.Y. Sup. Ct. 2003)); bank (White v. Sundstrand Corp., No. 98 C 50070, 2000 U.S. Dist. LEXIS 7273, at *10 (N.D. Ill. May 23, 2000)); public relations firm (Calvin Klein Trademark Trust v. Wachner, 198 F.R.D. 53 (S.D.N.Y. 2000)); ERISA plan administrator (found to be a fiduciary acting on behalf of the beneficiaries, and not a company representative) (Lewis v. UNUM Corp. Severance Plan, 203 F.R.D. 615 (D. Kan. 2001)); accountant Strougo v. BEA Assocs., 199 F.R.D. 515, 522 (S.D.N.Y. 2001); United States ex rel. Mayman v. Martin

Marietta Corp., 886 F. Supp. 1243, 1249 n.10 (D. Md. 1995); Am. Health Sys., Inc. v. Liberty Health Sys., No. 90-3112, 1991 WL 42310, at *5-6 (E.D. Pa. Mar. 26, 1991); Gramm v. Horsehead Indus., Inc., No. 87 Civ. 5122, 1990 U.S. Dist. LEXIS 773, at *12-13 (S.D.N.Y. Jan 25, 1990).

- Some courts are surprisingly harsh in situations that many companies might face. Universal City Dev. Partners, Ltd. v. Ride & Show Eng'g, Inc., 230 F.R.D. 688, 698 (M.D. Fla. 2005) (assessing a litigant's efforts to obtain the return of inadvertently produced privileged documents; noting that the litigant had sent the documents to an outside copy service after putting tabs on the privileged documents, and had directed the copy service to copy everything but the tabbed documents and send them directly to the adversary; noting that the litigant had not reviewed the copy service's work or ordered a copy of what the service had sent the adversary; emphasizing what the court called the "most serious failure to protect the privilege" -- the litigant's "knowing and voluntary release of privileged documents to a third party -- the copying service -- with whom it had no confidentiality agreement. Having taken the time to review the documents and tab them for privilege, RSE's counsel should have simply pulled the documents out before turning them over to the copying service. RSE also failed to protect its privilege by promptly reviewing the work performed by the outside copying service."; refusing to order the adversary to return the inadvertently produced documents).

- Clients of large and prestigious law firms have been on the losing end of such waiver analyses. American Legacy Found. v. Lorillard Tobacco Co., C.A. No. 19406, 2004 Del. Ch. LEXIS 157 (Del. Ch. Nov. 3, 2004) (holding that Wilmer Cutler's client had waived the privilege by sharing the law firm's advice with its public relations firm; rejecting the law firm's argument that the public relations firm's employees were the "functional equivalent" of the client's employees, or that they were agents of the client; concluding that the firm's client and the public relations firm did not share the necessary "common interest," because the relationship between them was not "supervised by counsel"); Stenovitch v. Wachtell, Lipton, Rosen & Katz, 756 N.Y.S.2d 367 (N.Y. Sup. Ct. 2003) (rejecting Wachtell, Lipton's argument that its bank client and various investment advisors shared a "common interest"; holding that disclosure of privileged communications to the investment advisors waived the client's privilege, and finding a subject matter waiver).

Clients or their lawyers generally waive the privilege by sharing privileged communications even during such legally encouraged activities such as settlement talks. Bausch & Lomb Inc. v. Alcon Labs., Inc., 914 F. Supp. 951 (W.D.N.Y. 1996).

Normally even a strict confidentiality agreement cannot avoid a waiver. Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465 (S.D.N.Y. 1993).

- This is another way that the privilege differs dramatically from the work product doctrine -- as explained below, a confidentiality agreement can make all the difference when sharing work product.

Worse yet, waiving the privilege as to one third party outside the intimate attorney-client relationship almost always waives it as to everyone else -- meaning that the protection disappears forever.

Two recent lines of cases are consistent with this general approach, but might surprise some clients.

- **First**, sharing privileged communications with the **government** in nearly every case waives the privilege. In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289 (6th Cir. 2002); In re Tyco Int'l, Inc. Multidistrict Litig., MDL Docket No. 02-1335-03, 2004 U.S. Dist. LEXIS 4541 (D.N.H. Mar. 19, 2004); Spanierman Gallery v. Merrit, No. 00 Civ. 5712 (LTS)(THK), 2003 U.S. Dist. LEXIS 22141 (S.D.N.Y. Dec. 5, 2003); United States v. Bergonzi, 216 F.R.D. 487 (N.D. Cal. 2003); McKesson HBOC, Inc. v. Superior Court, 9 Cal. Rptr. 3d 812 (Cal. Ct. App. 2004); McKesson Corp. v. Green, 597 S.E.2d 447 (Ga. Ct. App. 2004).

- Only a few cases hold out any hope for avoiding a waiver when sharing privileged communications with the government. In re Natural Gas Commodities Litig., 232 F.R.D. 208, 211 (S.D.N.Y. 2005) (assessing the waiver effect of a company disclosing to the government documents generated in the course of an internal investigation; "Pursuant to the Second Circuit's holding in Steinhardt, courts in this district have held that voluntary disclosure to government agencies pursuant to an explicit non-waiver agreement does not waive the attorney or representative work product or attorney-client privilege. . . . Plaintiffs argue that the Order should be set aside because a majority of Circuits have held that disclosure of privileged materials constitutes waiver even where disclosure was pursuant to a non-waiver agreement. . . . However, Magistrate Judge Peck correctly held that the Court is bound by Second Circuit authority and is not free to adopt the opinion of other circuits."; finding no waiver).

- Teachers Ins. & Annuity Ass'n v. Shamrock Broad. Co., 521 F. Supp. 638, 646 (S.D.N.Y. 1981); Salomon Bros. Treasury Litig. v. Steinhard Partners, L.P. (In re Steinhardt Partners, L.P.), 9 F.3d 230, 236 (2d Cir. 1993).

- **Second**, sharing privileged communications with a company's **outside auditor** normally waives the privilege. Medinol, Ltd. v. Boston Scientific Corp., 214 F.R.D. 113 (S.D.N.Y. 2002); United States v. South Chicago

Bank, No. 97 CR 849 - 1, 2, 1998 U.S. Dist. LEXIS 17445, at *7-8 (N.D. Ill. Oct. 16, 1998); In re Subpoena Duces Tecum Served on Willkie Farr & Gallagher, No. M8-85(JSM), 1997 U.S. Dist. LEXIS 2927, at *7 (S.D.N.Y. Mar. 14, 1997).

- Clients might also be surprised by the waiver implications of sharing work product material with the government and auditors (this is discussed below).

Courts disagree about the waiver implications of intentionally sharing privileged communications as part of a corporate transaction.

- Some courts find that sharing information as part of pre-transaction "due diligence" waives the attorney-client privilege. Cheeves v. Southern Clays, Inc., 128 F.R.D. 128, 130-31 (M.D. Ga. 1989); Oak Indus. v. Zenith Indus., No. 86 C 4302, 1988 U.S. Dist. LEXIS 7985, at *9 (N.D. Ill. July 27, 1988).

- Other courts take the opposite approach -- sometimes citing the societal benefit of such due diligence. Rayman v. Am. Charter Fed. Sav. & Loan Ass'n, 148 F.R.D. 647, 652 (D. Neb. 1993); Hewlett-Packard Co. v. Bausch & Lomb, Inc., 115 F.R.D. 308, 311 (N.D. Cal. 1987).

b. Inadvertent Disclosure

The **inadvertent** sharing of privileged communications outside the company can also waive the privilege. Jasmine Networks, Inc. v. Marvell Semiconductor, Inc., 12 Cal. Rptr. 3d 123, 125, 132 (Cal. Ct. App. 2004) (finding that two lawyers and a client for one company waived the attorney-client privilege by failing to hang up a speaker phone when leaving a message on another company's executive's voicemail -- and accidentally leaving a message on that voicemail about the possibility that company executives "might go to jail" for wrongdoing that the company planned); Bower v. Weisman, 669 F. Supp. 602, 606 (S.D.N.Y. 1987) (finding that leaving a privilege document on a table in a hotel room in which another person would be staying amounts to a waiver).

Such inadvertent sharing can occur because of a mistake in transmission of privileged communications (outside the litigation setting).

- Such inadvertent transmission might create an ethical duty by the recipient to return the communication without reading it.

- The ABA first recognized this duty in ABA LEO 368 (11/10/92).

- The ABA has now backed away from its strict approach, and ABA Model Rule 4.4(b) now indicates that a lawyer receiving a document who "knows or reasonably should know that the document was inadvertently sent shall promptly notify the sender" -- there is no per se requirement if the recipient returns the inadvertently sent document.

- As a result of these changes in the ABA Model Rules, the ABA recently took the very unusual step of withdrawing the earlier ABA LEO that created the "return unread" doctrine. ABA LEO 437 (10/1/05) (citing February 2002 ABA Model Rules changes, the ABA withdraws ABA LEO 368, and holds that ABA Model Rule 4.4(b) governing the conduct of lawyers who receive inadvertently transmitted privileged communications from a third party "only obligates the receiving lawyer to notify the sender of the inadvertent transmission promptly. The rule does not require the receiving lawyer either to refrain from examining the materials or to abide by the instructions of the sending lawyer."; instead, the lawyer must abide by a court's determination of what to do with the privileged material).

Some bars have recently wrestled with the duties of lawyers sending and receiving "metadata" (data hidden in documents that are transmitted electronically, but which allow the recipient to determine who made changes to the document, when the changes were made, what changes were proposed and rejected, etc.)

- The New York State Bar has held that lawyers receiving electronic documents with metadata may not "look behind" the document to "mine" the metadata. New York LEO 749 (12/14/01).

- Interestingly, the New York State Bar followed up this legal ethics opinion with New York LEO 782 (12/8/04), indicating that lawyers have an ethical duty to "use reasonable care when transmitting documents by e-mail to prevent the disclosure of metadata containing client confidences or secrets."

- No state bar seems to have followed New York.

The Florida Bar Board of Governors recently expressed its sentiment that the recipients of documents containing metadata should not "mine" the metadata.

- The Florida Bar News provided an interesting description of the Board of Governors' vote: "President-Elect Hank Coxe gave the board a graphic example of what that means. He said a senior partner in his firm was working on a brief which was requested by another firm for a case it was working on. When the partner finished the brief, he offered to fax it, but the other firm asked that it be e-mailed. That firm then mined it for metadata. What they got, Coxe said, was a history showing every change that had been made to the document, as well as who had worked on it. At one point, the client had been e-mailed for input and the client had replied by e-mail. Both had been attached to the document as it was being

prepared and later deleted; and both communications were recovered by the other law firm." (emphasis added).

To be sure, the Florida Bar Board member who made the motion to adopt such a sentiment did not articulate a very useful intellectual underpinning for his position.

- "I have no doubt that anyone who receives a document and mines it . . . is unethical, unprofessional, and un-everything else,' said board member Jake Schickel, who made the motion that the board express its disapproval at the practice." The Florida Bar News.

The same article provided another interesting insight, noting that: "several board members said that they hadn't heard of it [metadata] until it came up at their December [2005] meeting."

- Thus, the issue clearly is driven by generational differences.

Clients or lawyers may also inadvertently disclose privileged communications to third parties as part of a litigation-related document production.

- In such situations, some courts find that such inadvertent sharing always waives the privilege (In re Sealed Case, 877 F.2d 976, 980 (D.C. Cir. 1989)), while others find that it never waives the privilege. Berg Elecs., Inc. v. Molex, Inc., 875 F. Supp. 261, 263 (D. Del. 1995).

- Most courts take a fact-intensive middle approach. Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 104 F.R.D. 103 (S.D.N.Y. 1985).

- This middle approach looks at the procedures established for the document review, whether the procedures were followed, the number of documents reviewed and the privileged documents inadvertently revealed, the speed with which the producing party requested the document's return, and the breadth of the disclosure before the request.

Most courts seem to honor what are called "non-waiver" agreements entered into between litigants -- which require the return of any accidentally produced privileged documents.

- However, one recent case found that a non-waiver agreement requiring the signatories to return "inadvertently produced" privileged documents during a commercial litigation case did not require the return of documents that were sent to the other side through "gross negligence." VLT, Inc. v. Lucent Techs., Inc., Civ. A. No. 00-11049-PBS, 2003 U.S. Dist. LEXIS 723 (D. Mass. January 21, 2003).

- Even worse, the court found that the "grossly negligent" production of some privileged documents created a subject matter waiver. Id.

Such non-waiver agreements make sense in situations where all of the possibly interested parties are involved in the litigation and can sign the agreements (as in many commercial litigation matters).

- They do not make much sense in "pattern litigation" such as products liability and employment discrimination cases.

- This is because the agreement obviously only binds the signatories, and does not prevent another plaintiff from arguing waiver (even if the unintentionally produced document is returned to the company).

4. Express Waiver Inside the Company

At first blush, it might seem that the Upjohn approach (described above) means that all company employees (at any level) are within the intimate attorney-client relationship and therefore may share privileged communications without causing a waiver.

- However, the Upjohn rule only applies to communications between the company's lawyer and those employees with knowledge that the lawyer must obtain to provide legal advice to the company.

- Thus, Upjohn has a built-in "need to know" test.

Company employees might waive the attorney-client privilege by sharing communications inside the company -- beyond those with a "need to know."

- Perhaps the best judicial analysis of the "need to know" standard explained it as follows: "[t]he 'need to know' must be analyzed from two perspectives: (1) the role in the corporation of the employee or agent who receives the communication; and (2) the nature of the communication, that is, whether it necessarily incorporates legal advice. To the extent that the recipient of the information is a policymaker generally or is responsible for the specific subject matter at issue in a way that depends upon legal advice, then the communication is more likely privileged. For example, if an automobile manufacturer is attempting to remedy a design defect that has created legal liability, then the vice president for design is surely among those to whom confidential legal communications can be made. So, too, is the engineer who will actually redesign the defective part: he or she will necessarily have a dialogue with counsel so that the lawyers can understand the practical constraints and the engineer can comprehend the legal ones. By contrast, the autoworker on the assembly line has no need to be advised of the legal basis for a charge [sic] in production even though it affects the worker's routine and thus is within his or her general area of responsibility. The worker, of course, must be told what new production procedure to implement, but has no need to know the legal background." Verschoth v. Time Warner Inc., No. 00 Civ. 1339 (AGS) (JCF), 2001 U.S. Dist. LEXIS 3174, at *6-7 (S.D.N.Y. Mar. 22, 2001).

- Some of the cases dealing with such waiver implications of intra-corporate sharing might seem harsh. For instance, one court held that a corporation's distribution of a privileged memorandum to only six corporate employees created "serious doubts" as to its privileged nature. Jonathan Corp. v. Prime Computer, Inc., 114 F.R.D. 693, 696 n.6 (E.D. Va. 1987).

As with the "expectation of confidentiality" and "waiver" rules governing the disclosure of documents to other consultants and agents, this waiver principle would probably surprise most company executives -- who want to keep various other executives or employees "in the loop" and therefore might share privileged communications with them.

- This danger is most acute when employees communicate via e-mail (because e-mail is so easy to circulate, and because employees often use outdated recipient lists).

As explained above, courts sometimes point to an overly wide circulation of a privileged communication within a company as demonstrating that the communication was business-related and therefore did not deserve privilege protection ab initio.

- Some courts have noted in the abstract that such an overly wide circulation might cause a waiver, but few if any courts actually make such a finding -- instead pointing to the overly wide circulation as demonstrating the lack of any privilege protection at all.

Lawyers should train their clients to treat privileged communications as the company's "crown jewels" -- not even sharing them with others within the company, unless they clearly have a "need to know."

- Of course, even widely circulated memoranda deserve privilege protection if they meet this standard. Kirk v. Ford Motor Co., 116 P.3d 27, 34 (Idaho 2005) (protecting a company's widely circulated orders suspending document retention guidelines because of litigation.)

5. Federal Rule of Evidence 612

Under Federal Rule of Evidence 612, a federal court may order witnesses to produce even privileged documents they reviewed before testifying -- if the documents refreshed their recollection, and the disclosure is in the “interests of justice.” In re Managed Care Litig., 415 F. Supp. 2d 1378, 1380 (S.D. Fla. 2006).

- Thus, lawyers might waive the privilege even by showing their own clients copies of privileged documents.

6. Implied Waiver

The attorney-client privilege is so fragile that its holders can waive its protections not only by intentionally or inadvertently disclosing privileged communications (express waiver) but also by relying on the fact of privileged communications -- even without actually disclosing them.

This type of waiver is called an implied waiver.

- Surprisingly, some courts mistakenly use the term "implied waiver" in discussing the actual disclosure of privileged information. Hanson v. U.S. Agency for Int'l Dev., 372 F.3d 286, 294 (4th Cir. 2004).

As one would expect (because lawyers write the rules), clients attacking their lawyers impliedly waive the privilege -- thus permitting the lawyers to defend themselves.

a. Dangerous Nature of Implied Waivers

Implied waivers are inherently more frightening and dangerous than express waivers.

- Clients and their lawyers could be expected to understand that disclosing privileged communications to third parties might cause a problem, but intuition might not alert either the client or the lawyer to the waiver implications of referring to a privileged communication.

b. Explicit Reliance on Legal Advice

The classic example of a client causing an implied waiver is a criminal defendant relying on the defense of "ineffective assistance of counsel" or a civil litigant relying on the defense of "advice of counsel." Sedillos v. Board of Educ., 313 F. Supp. 2d 1091, 1094 (D. Colo. 2004); SNK Corp. of Am. v. Atlus Dream Entm't Co., 188 F.R.D. 566, 571, 574-75 (N.D. Cal. 1999).

- Litigants sometimes stumble into an "advice of counsel" defense. Engineered Prod. Co. v. Donaldson Co., 313 F. Supp. 2d 951 (N.D. Iowa 2004) (finding an implied waiver because a litigant's lawyer allowed the client to testify that its lawyer was the source of the client's belief that an adversary had "sat on its rights").

In-house and outside corporate lawyers are likely to face implied waiver issues in two situations.

First, corporations are often tempted to use the fact (and perhaps the ultimate result) of an internal investigation in an effort to sway public opinion, deter governmental sanctions, or defend civil lawsuits.

- Depending on the nature of the reliance and the degree to which the client in seeking some advantage in doing so, such reliance can cause an implied waiver of the attorney-client privilege that might otherwise cover communications related to the investigation. In re Subpoena Duces Tecum Served on Wilkie Farr & Gallagher, No. M8-85, 1997 U.S. Dist. LEXIS 2927 (S.D.N.Y. Mar. 14, 1997) (holding that a company had waived the privilege that otherwise protected the report prepared by its outside law firm and provided to its auditor by citing the fact of the audit in seeking to avoid federal regulatory punishment); Harding v. Dana Trans., Inc., 914 F. Supp. 1084, 1096-97 (D.N.J. 1996) (finding that a party waived the attorney-client privilege otherwise protecting the results of a corporate investigation by relying on the investigation (although not its content) in defending against government allegations of civil rights violations); In re Kidder Peabody Sec. Litig., 168 F.R.D. 459, 472 (S.D.N.Y. 1996) ("This pattern of usage of the report by Kidder amply justifies the conclusion that it has put in issue the statements made by all interviewees, including Kidder employees, to Lynch and his colleagues in the course of their preparation of the report. Waiver necessarily follows. . . . The fairness doctrine is still more explicitly triggered by Kidder's use of the Lynch report in the pending lawsuits and arbitrations. As noted, Kidder has repeatedly proffered the Lynch report not merely as a signal of its own good faith, but as a reliable, if not authoritative, source of data on which the court should rely in reaching whatever conclusion would favor the company. Implicitly, then, Kidder is proffering the underlying facts on which the Lynch report is assertedly based, including particularly the statements made to the investigators by the witnesses whom they interviewed.").

- Courts recognize that companies can conduct different (and sometimes parallel) investigations, one of which will not be privileged because the company intends to rely on its fruits, and one of which will be protected by the privilege (and the work product doctrine) because the company disclaims any intent to rely on its fruits. EEOC v. Rose Casual Dining, L.P., No. 02-7485, 2004 U.S. Dist. LEXIS 1983 (E.D. Pa. Jan. 23, 2004).

Second, some employment discrimination laws recognize an explicit affirmative defense allowing a corporation to avoid liability by demonstrating the fact that it investigated alleged wrongdoing and took reasonable remedial measures (as in the case of sexual harassment allegations).

- Courts uniformly hold that corporations asserting this defense impliedly waive the attorney-client privilege otherwise covering those investigations. Austin v. City & County of Denver, Civ. A. No. 05-cv-01313-PSF-CBS, 2006 U.S. Dist. LEXIS 32048, at * 21-22, *18 (D. Colo. May 19, 2006) (noting that the Denver Water Department hired an independent consultant to investigate the plaintiff's claim of age and gender discrimination; explaining that the plaintiff sought discovery of the investigator's report and materials, but the Department resisted; finding that the investigator acted essentially as an in-house human resources employee, so that his material deserved privilege protection; noting that the Department had filed an affirmative defense claiming that it had "exercised reasonable care to prevent and promptly correct any unlawful behavior by its employees of which it was made aware" (internal quotations omitted); although acknowledging that the plaintiff had discussed "only in passing the issue of waiver," finding that this affirmative defense created a subject matter waiver that covered the investigator's report and materials); McGrath v. Nassau County Health Care Corp., 204 F.R.D. 240, 247 (E.D.N.Y. 2001) (finding that a company had waived the attorney-client privilege and work product doctrine protections by asserting an affirmative defense in a sexual harassment case that it was "not liable because it exercised reasonable care to prevent and promptly correct any sexual harassing behavior"); Rivera v. Kmart Corp., 190 F.R.D. 298, 304 (D.P.R. 2000) (holding that in a wrongful termination case defendant Kmart had waived any privilege protection for documents relating to a Kmart employee's interview of a store manager because Kmart referred to the interview in justifying plaintiffs' termination); Brownell v. Roadway Pkg. Sys., Inc., 185 F.R.D. 19, 25 (N.D.N.Y. 1999) ("The Court finds, however, that RPS waived its right to invoke the privilege by asserting the adequacy of its investigation as a defense to Plaintiff's claims of sexual harassment"); Sealy v. Gruntal & Co., No. 94 Civ. 7948 (KTD)(MHD), 1998 U.S. Dist. LEXIS 15654, at *15, 16 (S.D.N.Y. Oct. 6, 1998) (finding that an affirmative defense that defendant conducted an investigation into plaintiff's sexual harassment case "constitutes a waiver of privilege for otherwise protected communications"); Pray v. New York City Ballet Co., No. 96 Civ. 5723 (RLC)(HBP), 1997 U.S. Dist. LEXIS 6995, at *2-3, 7 (S.D.N.Y. May 19, 1997) (allowing plaintiff in a sexual harassment case to depose four partners at the law firm of Proskauer, Rose, Goetz & Mendelsohn; "[w]here, as here, an employer relies on an internal investigation and subsequent corrective action for its defense, it has placed that conduct 'in issue'. Thus, an employer may not prevent discovery of such an investigation based on attorney-client or work product privileges solely because the employer has hired attorneys to conduct its investigation. . . . The employer has waived the protection of these privileges concerning the investigation and subsequent remedial action by virtue of its defense."); Wellpoint Health Networks, Inc. v. Superior Court, 68 Cal. Rptr. 2d 844, 856 (Cal. Ct. App. 1997) ("If a defendant employer hopes to prevail by showing that it investigated an employee's complaint and took action appropriate to the findings of the investigation, then it will have put the adequacy of the investigation directly at issue, and cannot stand on the attorney-client privilege or work product doctrine to preclude a thorough examination of its adequacy. The defendant cannot have it both ways. If it chooses this course, it does so with the understanding that the attorney-client privilege and the work product doctrine are thereby waived.").

c. "At Issue" Doctrine

A number of courts have taken this implied waiver principle to the extreme, adopting an approach called the "at issue" doctrine.

- The traditional implied waiver concept involves clients explicitly pointing to privileged communications to gain some advantage -- it is understandable how notions of fairness do not permit such clients to withhold the communications from the adversary's discovery.

- In contrast, the "at issue" doctrine involves a client asserting some other position (usually affirmatively, but sometime defensively) in litigation -- the full exploration and consideration of which might require assessment of privileged communications. Hearn v. Rhay, 68 F.R.D. 574 (E.D. Wash. 1975); Conkling v. Turner, 883 F.2d 431, 434 (5th Cir. 1989).

- For instance, a litigant might seek to avoid a statute of limitations defense by contending that it was not aware of some benefit or right -- which arguably puts its mental state and knowledge "at issue," and might justify a forced disclosure of communications that client had with a lawyer during the time period the client claims ignorance. Lama v. Preskill, 818 N.E.2d 443, 450, 449 (Ill. App. Ct. 2004) (over a strong dissent, holding that a malpractice plaintiff had impliedly waived the attorney-client privilege otherwise covering communications during a meeting her husband had with a lawyer several days after her surgery, by alleging in her complaint that she did not learn of her injury until a date after that meeting; not explaining whether it would have reached the same result if the plaintiff had not "voluntarily injected into the case the factual and legal issues of when she learned of her injury," but instead had waited to respond to the defendant's statute of limitations affirmative defense).

Courts extending the implied waiver concept this far normally require that the information at stake be important, and that it be unavailable absent forced disclosure of privileged communications.

- Courts have applied the "at issue" doctrine in situations where a client has asserted: "good faith belief" in the legality of the client's action or a government representation (Jones v. Nationwide Ins. Co., No. 3:98-CV-2108, 2000 U.S. Dist. LEXIS 18823, at *7 (M.D. Pa. July 20, 2000)); reliance on a lawyer's advice (Jones v. Nationwide Ins. Co., No. 3:98-CV-2108, 2000 U.S. Dist. LEXIS 18823, at *7 (M.D. Pa. July 20, 2000)); reliance on fraudulent representations (Cooney v. Booth, 198 F.R.D. 62 (E.D. Pa. 2000)); lack of notice that relieves the party of the statute of limitations defense or acts as an estoppel that prevents the adversary from relying on the statute of limitations defense (Axler v. Scientific Ecology Group, Inc., 196 F.R.D. 210 (D. Mass. 2000)); absence of a condition precedent (Medical Waste Techs. L.L.C. v. Alexian Bros. Med. Ctr., No. 97 C 3805, 1998 U.S. Dist. LEXIS 10069, at *5-6 (N.D. Ill. June 24, 1998)); reliance on an agreement drafted by the party's lawyer (Mitzner v. Sobol, 136 F.R.D. 359, 361 (S.D.N.Y. 1991)); lack of notice that relieves the party of the statute of limitations defense or acts as an estoppel that prevents the adversary from relying on the statute of limitations defense (Peterson v. Fairfax Hosp. Sys., Inc., 37 Va. Cir. 535, 542 (Va. Cir. Ct. 1994) (holding that "where the plaintiffs rely on estoppel to combat a plea of statute of limitations, fairness requires that the attorney-client privilege be deemed waived" because "what counsel knows and when he knew it are issues dragged into the case by invoking the defense of estoppel"; explaining that because "[t]he defendants maintain that the plaintiffs were on inquiry notice of the possibility of fraudulent actions in the previous case more than two years before this action was filed. [C]ounsel's knowledge, or lack thereof, is relevant, probative and discoverable")); a claim of "appropriate remedial action" by an institution in response to the plaintiff's complaint (McGrath v. Nassau County Health Care Corp., 204 F.R.D. 240, 247 (E.D.N.Y. 2001)); argument that a law firm did not represent a client at a certain time (E.I. du Pont de Nemours & Co. v. Conoco, Inc., Civ. A. No. 17686, 2001 Del. Ch. LEXIS 99 (Del. Ch. Feb. 6, 2001)); an argument that it was compelled to participate in a foreign arbitration (which the court found "places their attorneys' opinions, advice and decision-making directly an issue"). Weizmann Inst. of Sci. v. Neschis, Nos. 00 Civ. 7850 (RMB)(THK) & 01 Civ. 6993 (RMB)(THK), 2004 U.S. Dist. LEXIS 4254, at *16-17 (S.D.N.Y. Mar. 16, 2004).

- Courts take different positions on whether a litigant impliedly waives the attorney-client privilege covering communications with its lawyer when the litigant seeks recovery of its attorney's fees from the adversary. (Ideal Elec. Sec. Co. v. Int'l Fid. Ins. Co., 129 F.3d 143, 151-152 (D.C. Cir. 1997); Pamida, Inc. v. E.S. Originals, Inc., 199 F.R.D. 633, 635 (D. Minn. 2001); In re JMP Newcor Int'l, Inc., 204 B.R. 963, 965-66 (Bankr. N.D. Ill. 1997).

Other courts have criticized a broad "at issue" approach. Remington Arms Co. v. Liberty Mut. Ins. Co., 142 F.R.D. 408, 413 (D. Del. 1992).

Company lawyers should carefully advise any company representative (especially management) about the risk they run in relying upon, or even talking about, the fact of an investigation -- especially with the government or another third party outside the company.

7. Subject Matter Waiver

Most courts recognize what is called the "subject matter waiver doctrine," under which a waiver of some privileged information will require the company to reveal all privileged communications on the same subject matter.

The subject matter waiver concept comes from notions of fairness.

- For instance, if a litigant introduces into evidence certain privileged communications with a lawyer in order to advance the litigant's case, it would not be fair for the litigant to withhold the rest of communications with the lawyer on that subject.

- Similarly, a litigant pleading "advice of counsel" as a defense should not be able to resist discovery about the advice, what facts the client gave the lawyer before receiving the advice, etc.

a. Intentional Express Waiver

The subject matter waiver doctrine often applies in the case of intentional express waiver. In re Grand Jury Proceedings, 219 F.3d 175, 182 (2d Cir. 2000); Adler v. Wallace Computer Servs., Inc., 202 F.R.D. 666, 675 (N.D. Ga. 2001).

Because disclosing a privileged document often causes a subject matter waiver, in some situations there is a bizarre switch in positions -- with the party having disclosed a document claiming that it was not privileged (hoping to avoid a subject matter waiver), and the adversary arguing that the document was privileged (hoping to trigger a subject matter waiver).

See, e.g., Strong Capital Mgmt., Inc. v. Land Auth. of P.R., Civ. No. 04-2088(SEC), 2006 U.S. Dist. LEXIS 36103 (D.P.R. May 30, 2006) (assessing defendants' argument that plaintiff's voluntary disclosure of a memorandum caused a subject matter waiver; agreeing with plaintiff that the memorandum did not deserve privilege protection, and therefore holding that its disclosure did not cause a subject matter waiver); Static Control Components, Inc. v. Lexmark Int'l, Inc., No. 04-84-GFVT, 2006 U.S. Dist. LEXIS 40612, at *20 (E.D. Ky. June 15, 2006) (assessing defendant's argument that the plaintiff caused a subject matter waiver by disclosing to its customer a memorandum from a law professor about the enforceability of a patent; rejecting plaintiff's argument that the letter was not privileged; explaining that "[a] rose by any other name smells the same," and finding a subject matter waiver of both the attorney-client privilege and the work product doctrine that required disclosure of all documents on that subject).

b. Implied Waiver

The same rules usually apply to implied waiver. United States v. Taghilou, 5 F. App'x 694, 695 (9th Cir. 2001) (unpublished opinion); D.O.T. Connectors, Inc. v. J.B. Nottingham & Co., No. 4:99cv311-WS, 2001 U.S. Dist. LEXIS 739, at *2-3 (N.D. Fla. Jan. 22, 2001).

c. Extra-Judicial Disclosure (von Bulow Doctrine)

Some courts have looked for ways to avoid the harsh results of the subject matter waiver doctrine.

- In an approach articulated for the first time by the Second Circuit, some court distinguish between disclosure of privileged communication in a litigation context (which will cause a subject matter waiver) and what courts call "extrajudicial" settings (which will not cause a subject matter waiver). McGrath v. Nassau County Health Care Corp., 204 F.R.D. 240, 245 (E.D.N.Y. 2001).

- This is called the von Bulow doctrine because it originated with Alan Dershowitz's publication of a book about his representation of the criminal defendant von Bulow. In re von Bulow, 828 F.2d 94 (2d Cir. 1987).

- The von Bulow doctrine is now spreading to other courts. Bowman v. Brush Wellman, Inc., No. 00 C 50264, 2001 U.S. Dist. LEXIS 14088, at *5-6 (N.D. Ill. Sept. 13, 2001).

- The von Bulow doctrine can avoid harsh results. In re Polymedica Corp. Sec. Litig., 235 F.R.D. 28, 33 (D. Mass. 2006) (assessing plaintiffs' reliance on standard waiver principles in seeking the production of documents created by PricewaterhouseCoopers LLP (PWC) in connection with a report PWC prepared for the defendants, and which defendants had given to plaintiffs and the SEC; rejecting plaintiffs' waiver arguments, noting that "there is no evidence that the Defendants sought to make use of the report in a judicial proceeding," put the report at issue, or sought to use PWC's testimony; explaining that the plaintiffs could interview witnesses, review documents, and otherwise conduct their own investigation and prepare their own report).

d. Inadvertent Express Waiver

Some courts seem to take the subject matter waiver doctrine too far.

- While the subject matter waiver doctrine makes sense if a litigant expressly or impliedly relies on privileged communications to gain some advantage in litigation, it seems too harsh to take the same approach if a litigant instead inadvertently produces privileged documents during discovery.

- Yet some courts following this simplistic rule that disclosure of some privileged communications requires the disclosure of other related privileged communications have blindly found subject matter waivers even in the case of an inadvertent production of privileged documents. Texaco P. R., Inc. v. Dep't of Consumer Affairs, 60 F.3d 867, 883-84 (1st Cir. 1995).

e. Scope of the Waiver

Surprisingly, very few courts have tried to define the scope of the subject matter waiver even when they find such a waiver. Muncy v. City of Dallas,

Civ. A. No. 3:99-CV-2960-P, 2001 U.S. Dist. LEXIS 18675, at *14 (N.D. Tex. Nov. 13, 2001); D.O.T. Connectors, Inc. v. J.B. Nottingham & Co., No. 4:99cv311-WS, 2001 U.S. Dist. LEXIS 739, at *2-3, *8 (N.D. Fla. Jan. 22, 2001).

- Perhaps the most thoughtful analysis appeared several years ago. United States v. Skeddle, 989 F. Supp. 917, 919 (N.D. Ohio 1997) ("Among the factors which appear to be pertinent in determining whether disclosed and undisclosed communications relate to the same subject matter are: 1) the general nature of the lawyer's assignment; 2) the extent to which the lawyer's activities in fulfilling that assignment are undifferentiated and unitary or are distinct and severable; 3) the extent to which the disclosed and undisclosed communications share, or do not share, a common nexus with a distinct activity; 4) the circumstances in and purposes for which disclosure originally was made; 5) the circumstances in and purposes for which further disclosure is sought; 6) the risks to the interests protected by the privilege if further disclosure were to occur; and 7) the prejudice which might result if disclosure were not to occur. By applying these factors, and such other factors as may appear appropriate, a court may be able to comply with the mandate that it construe 'same subject matter' narrowly while accommodating fundamental fairness." (internal quotations omitted)).

Most cases addressing the scope of a subject matter waiver involve a patent infringement litigant relying on a patent lawyer's non-infringement opinion in seeking to avoid multiple damages.

- Every court holds that such an affirmative "advice of counsel" defense causes a subject matter waiver, but they disagree about its scope.

This situation generates very difficult subject matter waiver issues.

- Because patent infringement constitutes a continuing wrong, an infringer must stop selling the infringing product upon learning of the infringement -- even if the client learns from its trial lawyer on the morning of trial.

- On the other hand, it is easy to see the mischief caused by forcing a patent litigant relying on a non-infringement opinion to disclose all communication they had with any patent lawyer at any time.

Courts have taken differing positions on four basic questions.

- First, should the subject matter waiver extend to communications to and from: just the lawyer providing the opinion; all lawyers other than litigation counsel in the infringement litigation; or all lawyers (including litigation counsel)? The Federal Circuit recently held that a subject matter waiver covered privileged communications to and from outside lawyers and in-house lawyers. In re EchoStar Commc'ns Corp., 448 F.3d 1294 (Fed. Cir. 2006.

- Second, should the subject matter waiver extend as a temporal matter to: the date the product was put on the market; the date the infringement litigation began; or up through and including even the trial?

- Third, because infringement depends on the product seller's knowledge, should the subject matter waiver extend to opinions and other information the lawyer has never shared with the product seller client? The Federal Circuit recently settled this debate. In re EchoStar Commc'ns Corp., 448 F.3d 1294 (Fed. Cir. 2006) (explaining that a party's reliance on advice of counsel triggered a subject matter waiver that covered: (1) privileged communications with outside and inside counsel; and (2) work product conveyed to the client and uncommunicated documents that reflect such communications -- which presumably include such documents as memoranda memorializing communications).

- Fourth, if the subject matter waiver extends to other lawyers and communications after the original opinion, should the waiver cover: all communications; or just communications that are inconsistent with the original non-infringement opinion upon which the litigant relies?

Various opinions have adopted nearly every combination and permutation on these issues.

- For instance, one court recently held that because "infringement is a continuing activity," "all opinions received by the client relating to infringement must be revealed, even if they come from defendants' trial attorneys, and even if they pre-date or post-date the advice letter of opinion counsel." Akeva L.L.C. v. Mizuno Corp., 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003).

Federal courts are now sorting out the effect of a recent Federal Circuit decision protecting clients from any adverse inference based on their reliance on the attorney-client privilege to shield a lawyer's patent opinion -- the Federal Circuit raised the issue sua sponte and reversed its earlier approach to this issue. Knorr-Bremse Systeme Für Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337 (Fed. Cir. 2004).

- See, e.g., McKesson Info. Solutions, Inc. v. Bridge Med., Inc., No. Civ. S-02-2669 FCD KJM, 2006 U.S. Dist. LEXIS 20929, at *4 (E.D. Cal. Apr. 19, 2006) (assessing defendant's efforts to prevent plaintiff from telling the jury that the defendant had "asserted the attorney-client privilege over the opinion it received regarding McKesson's patent"; noting that several other courts recently ruled that a litigant could tell the jury that its adversary had never sought an opinion on the infringement issue; distinguishing those

cases, and holding that Knorr-Bremse prevented the plaintiff from introducing any evidence or testimony regarding the defendant's privilege assertion over the infringement opinion it had received).

8. Efforts to Change the Harsh Waiver Rules

a. Impetus for the Proposals

Several developments have prompted numerous proposals to change the common law waiver rules.

- First, the government's increasing demand that companies share privileged communications as a sign of cooperation has prompted efforts to encourage such good corporate behavior by reducing or eliminating the risk that such cooperation will allow private plaintiffs to obtain the same communications (which most courts outside the Second Circuit view as an inevitable result of common law waiver principles).

- Second, the massive increase in the volume of electronic documents that must be accumulated, reviewed for privilege and produced has prompted calls for a rule protecting litigants from the potentially harsh impact of an inadvertent production of privileged communications.

b. Legislative Proposals

A number of proposed remedies to the first problem have surfaced in Congress over the past five years, but none of them have made it very far.

c. Federal Rules Change

An upcoming change at the end of 2006 in Fed. R. Civ. P. 26(b)(5)(B) will require a party receiving privileged or work product documents claimed to have been inadvertently produced by the other side to either return or destroy the documents, or to hold those documents until a court analyzes the situation.

- Unfortunately, this new rule simply describes a process – leaving any waiver issue up to a reviewing court. Hopson v. Mayor & City Council of Baltimore, 232 F.R.D. 228 (D. Md. 2005).

- Because some courts take an unforgiving view of any inadvertent production of privileged documents, litigants in those courts will still lose their protection.

d. Federal Rules of Evidence Proposal

Proposed Federal Rule of Evidence 502 (under consideration in 2006 by the Advisory Committee on the Federal Rules of Evidence) would address both issues.

Proposed Rule 502(a) would define the general waiver rule.

> A person waives an attorney-client privilege or work product protection if that person -- or a predecessor while its holder -- voluntarily discloses or consents to disclosure of any significant part of the privileged or protected information. The waiver extends to undisclosed information concerning the same subject matter if that undisclosed information ought in fairness to be considered with the disclosed information.

- This essentially codifies the common law waiver rule, although it would presumably protect against a court's adoption of the most extreme "automatic subject matter waiver" approach.

Proposed Rule 502 contains various exceptions that would dramatically change the normal waiver approach.

- First, a voluntary disclosure would not operate as a waiver if "the disclosure is inadvertent and is made during discovery in federal or state litigation or administrative proceedings -- and if the holder of the privilege or work product protection took reasonable precautions to prevent disclosure and took reasonably prompt measurers, once the holder knew or should have known of the disclosure, to rectify the effort, including (if applicable) following the procedures in Fed. R. Civ. P. 26(b)(5)(B)." This codifies the "middle ground" fact-intensive inadvertent waiver doctrine.

- Second, a voluntary disclosure would not cause a waiver if "the disclosure is made to a federal, state, or local governmental agency during an investigation by that agency, and is limited to persons involved in the investigation." This exception would address the first issue mentioned above. Although the standard confidentiality agreement currently agreed to by government authorities is not "limited to persons involved in the investigation," the proposed Rule presumably would apply to the typical situation in which a company cooperates with the government by disclosing privileged communications.

Proposed Rule 502 also contains procedural provisions.

- Proposed Rule 502(c) indicates that "[n]otwithstanding subdivision (a), a court order concerning the preservation or waiver of the attorney-client privilege or work product protection governs its continuing effect on all persons or entities, whether or not they were parties to the matter before the court."

- Another provision makes it clear that any agreement among the parties does not bind anyone else "unless the agreement is incorporated into a court order." Proposed Rule 502(d).

- This rule allows every court to mold an appropriate process (apparently even changing the basic waiver principle articulated in Rule 502(a)) with the certainty that its order will bind all third parties.

It is unclear how a new federal Rule of Evidence would apply in state courts, but one might expect state courts to adopt the same approach, or honor a federal court's order through comity, application of the Supremacy Clause, etc.

- Unfortunately, even one recalcitrant state court could eliminate the protection by declining to honor a federal court's order.

e. Sentencing Guidelines

On April 5, 2006, the United States Sentencing Commission voted to eliminate language in the Federal Sentencing Guidelines that essentially required companies to waive their privilege and work product protections to obtain more favorable sentencing treatment.

- This change will take effect on November 1, 2006, unless Congress intervenes. 71 Fed. Reg. 28,063 (May 15, 2006).

The deleted language had been added to the Guidelines in April 2004 at the height of the Department of Justice's post-Enron efforts to root out corporate wrongdoing.

f. Department of Justice Policy

Various corporate and bar organizations (including the ABA) have (with varying degrees of vigor) condemned, criticized or sought to change the Department of Justice's policy that encourages -- some say "bullies" -- companies into waiving their privilege.

- None of these efforts have proven successful so far.

- However, it would be difficult to detect if the Department of Justice was less vigorous in its approach, because only anecdotal evidence allows an assessment of the Department's application of its policy.

II. WORK PRODUCT DOCTRINE

A. Introduction

1. Courts' Confusion

Some courts mistakenly equate the attorney-client privilege and work product doctrine, occasionally using such terms as "attorney work product privilege." United States v. One Tract of Real Prop. Together with All Bldgs., Improvements, Appurtenances, & Fixtures, 95 F.3d 422, 427 (6th Cir. 1996).

- This is simply incorrect -- the attorney-client privilege and work product doctrine are fundamentally different concepts. Caremark, Inc. v. Affiliated Computer Servs., Inc., 195 F.R.D. 610, 613 (N.D. Ill. 2000).

- In fact, the four-word title "attorney work product privilege" contain two incorrect words -- the work product doctrine covers more than attorneys, and is not a privilege.

2. Source of Work Product Protection

Interestingly, one state court essentially created its own work product doctrine in the 1940s, derived from attorney-client privilege principles. Robertson v. Commonwealth, 25 S.E.2d 352 (Va. 1943).

- However, this common law development was soon trumped by a rule-based approach.

The United States Supreme Court adopted the federal formulation of the work product doctrine in 1970. Fed. R. Civ. P. 26(b)(3).

As indicated below, courts applying the work product doctrine exhibit surprising variation when interpreting a single sentence in the rules -- even more than courts analyzing the attorney-client privilege, although the privilege comes from organically developed common law in each state.

3. Choice of Laws

State courts generally apply their own work product rule, finding the protection to be a procedural matter.

Work product issues in federal court rest on a federal rule, which applies in both diversity and federal question cases. S.D. Warren Co. v. Eastern Elec. Corp., 201 F.R.D. 280, 282 (D. Me. 2001).

4. Enormous Variation in Federal Courts' Approach

Ironically, there is a much greater variation among federal courts' approach to the work product doctrine than among states' approach to the attorney-client privilege -- even though all federal courts are simply applying the identical single sentence from the federal rules, while states are interpreting common law principles organically developed over hundreds of years.

Federal courts have taken dramatically differing positions on such issues as:

- Duration of the work product protection in later litigation.
- The degree of protection given to a lawyer's selection of documents or facts that arguably reflect the lawyer's opinion.
- The type of "anticipation" of litigation required -- ranging from requiring "imminent" litigation to protecting materials created "with an eye toward" possible future litigation.
- The degree of protection given to opinion work product (absolute or simply higher than that provided fact work product).

One recent case highlighted many of these debates, and cited federal court decisions on both sides of the issues. In re Grand Jury Subpoena, 220 F.R.D. 130 (D. Mass. 2004).

5. Differences between the Work Product Doctrine and the Attorney-Client Privilege

Unlike the attorney-client privilege, the work product doctrine:

(1) Is relatively new.

(2) Has a fairly modest purpose. United States v. Frederick, 182 F.3d 496, 500 (7th Cir. 1999); Bowman v. Brush Wellman, Inc., No. 00 C 50264, 2001 U.S. Dist. LEXIS 14088 (N.D. Ill. Sept. 13, 2001).

(3) Is a creature of statute and rule.

(4) Applies to non-lawyers.

(5) Arises only at certain times.

(6) Only protects communications made "because of" litigation.

(7) May be asserted by the client or the lawyer.

(8) May not last forever.

(9) May be overcome if the adversary really needs the information.

(10) Is not easily waived.

Thomas E. Spahn, Ten Differences Between the Work Product Doctrine and the Attorney-Client Privilege, 46 Va. Law. 45 (Oct. 1997).

Unlike the attorney-client privilege, the work product doctrine:

- Does **not** rest on the **intimacy** of the attorney-client relationship -- a lawyer does not even have to be involved in its creation.
- Does **not** rest on the **confidentiality** within that intimate relationship -- it protects such materials as pictures of accident scenes, measurements of skid marks, interviews with strangers, etc.
- Does **not** rest on **communications** within that intimate relationship -- the work product doctrine can protect materials that have never been communicated to anyone.

The work product doctrine is both narrower and broader than the attorney-client privilege.

- It is **narrower** because: the work product doctrine only applies at certain times (during or in anticipation of litigation); and is not actually a privilege, but rather a qualified immunity that can be overcome under certain circumstances.
- It is **broader** because: anyone can create work product (without a lawyer's involvement); and work product can be shared more easily with third parties without causing a waiver of its protection.

Lawyers and their clients considering both the attorney-client privilege and the work product doctrine should remember that both, either or none may apply in certain circumstances.

- For instance, communications between lawyers and their clients occurring when no one anticipates litigation can never be work product, but may deserve privilege protection.
- Materials reflecting lawyers' communications with those other than clients (or the lawyers' own agents) can rarely if ever be privileged, but may well be work product -- such as notes of a witness interview.
- Litigation-related communications between clients and lawyers may well deserve both protections.

6. Reasons to Assert Both Protections

Lawyers seeking maximum protection for their clients' communications should always examine both possible protections.

- In one concrete example, Martha Stewart was found to have waived the attorney-client privilege covering one of her e-mails by sharing the e-mail with her daughter, but was found not to have waived the work product protection -- Stewart could not have resisted discovery if she had relied only on the privilege and not also asserted the work product protection. United States v. Stewart, 287 F. Supp. 2d 461 (S.D.N.Y. 2003).

However, litigants should not blindly seek both protections.

- For instance, companies should assess whether it would reflect poorly on their motivation if they claim to have anticipated litigation at certain times (for instance, at the beginning of contract negotiations).

- As explained below, asserting the work product protection might also trigger the obligation to preserve documents as of that date.

B. Participants

1. Who Can Create Work Product

On its face, the work product doctrine allows clients or any of their agents to prepare work product. Kelly v. Ford Motor Co. (In re Ford Motor Co.), 110 F.3d 954, 967 (3d Cir. 1997); S.D. Warren Co. v. Eastern Elec. Corp., 201 F.R.D. 280 (D. Me. 2001); U.S. Bank Nat'l Ass'n v. U.S. Timberlands Klamath Falls, L.L.C., Civ. A. No. 112-N, 2005 Del. Ch. LEXIS 95, at *12 (Del. Ch. June 9, 2005) ("The work-product privilege can apply to documents prepared by non-attorneys, if those documents were prepared in anticipation of litigation.").

- Some courts inexplicably continue to insist that lawyers be involved in preparation of materials before they may deserve work product protection. Minebea Co. v. Pabst, 355 F. Supp. 2d 526, 529 (D.D.C. 2005) (explaining that "while protected work product can, sometimes, be generated by non-attorneys, it cannot be created by a client") Heavin v. Owens-Corning Fiberglass, No. 02-2572-KHV-DJW, 2004 U.S. Dist. LEXIS 2265, at *16 (D. Kan. Feb. 3, 2004) (applying the Federal Rules, but inexplicably citing a Kansas state case in refusing to extend work product protection to documents "which are not prepared under the supervision of an attorney in preparation for trial" (internal quotations and citation omitted)); In re Grand Jury Proceedings, No. M-11-189, 2001 U.S. Dist. LEXIS 15646, at *67 (S.D.N.Y. Oct. 3, 2001).

2. Benefits of a Lawyer's Involvement

Although the work product doctrine can protect materials created without a lawyer's involvement, it is usually wise to have a lawyer involved.

- There are several reasons: some courts do not understand the doctrine and look for a lawyer's involvement; having a lawyer involved might also support an attorney-client privilege claim; a lawyer's role might rebut an adversary's argument that the documents were created in the "ordinary course of business" and therefore undeserving of work product protection; a lawyer's involvement may help establish anticipation of litigation; a lawyer's opinion deserves greater protection than mere fact work product.

3. Agents, Consultants and Experts

As explained above, the attorney-client privilege often rises or falls on a proper characterization of an agent or consultant as assisting the client or assisting the lawyer.

- This issue is irrelevant in the work product context.

a. General Rules

As explained above, even non-lawyers can create protected work product.

- Therefore, either the client's or the lawyer's agents should be entitled to work product protection for materials that the agent prepares.

b. Non-Testifying Experts

Specially employed litigation-related non-testifying experts hold a unique position in connection with the normally liberal rules of discovery. Fed. R. Civ. P. 26(b)(4)(B).

- Ludwig v. Pilkington N. Am., Inc., No. 03 C 1086, 2003 U.S. Dist. LEXIS 17789, at *10 (N.D. Ill. Sept. 30, 2003) ("non-testifying expert information is entirely exempt from discovery not on the basis of privilege but, rather, on the basis of unfairness"; holding that documents withheld under this rule do not have to be included on any privilege log).

- Some courts frankly admit that litigants can manipulate this rule to avoid discovery of harmful evidence. Crouse Cartage Co. v. Nat'l Warehouse Inv. Co., No. IP 02-071 C T/K, 2003 U.S. Dist. LEXIS 478, at *6-7 (S.D. Ind. Jan. 13, 2003) (holding that a party could rely on the rule governing discovery of non-testifying experts to withhold materials prepared by a real estate appraiser, noting that the "key inquiry" is "whether the consultation took place in anticipation of litigation"; acknowledging that "[t]he underlying

rule of nondisclosure invites shopping for favorable expert witnesses and facilitates the concealment of negative test results").

Fed. R. Civ. P. 26(b)(4)(B) specifically restricts discovery of such non-testifying experts to situations of "exceptional circumstances."

- Such "exceptional circumstances" can include: work by a non-testifying expert that has destroyed an important bit of evidence, or a situation in which the evidence has deteriorated or is no longer available for inspection by the adversary's expert. Disidore v. Mail Contractors of Am., Inc., 196 F.R.D. 410, 417 (D. Kan. 2000).

- Given the general immunity of such non-testifying experts to normal privilege log requirements, it is difficult to imagine how an adversary would know anything about such an expert's involvement (unless a witness saw the non-testifying expert performing some test, and was asked about the incident during discovery).

c. Testifying Experts

Most courts hold that the work product doctrine does not cover materials created by a testifying expert.

- Most courts require testifying experts to produce their draft reports. W.R. Grace & Co. v. Zotos Int'l, Inc., No. 98-CV-838S(F), 2000 U.S. Dist. LEXIS 18096, at *30 (W.D.N.Y. Nov. 2, 2000); but see Smith v. Transducer Tech., Inc., Civ. No. 1995-28, 2000 U.S. Dist. LEXIS 17212, at *7-8 (D.V.I. Nov. 2, 2000) (unpublished opinion).

Most decisions regarding discovery of testifying experts does not involve materials created by the expert, but rather opinion work product disclosed to the testifying expert.

- These issues are discussed below, in connection with the waiver doctrine.

d. Experts with Changing Roles

Experts who change from non-testifying to testifying experts (or vice versa) can present a complicated analysis.

Courts have debated whether testifying experts must produce documents they created or received in an earlier role as a non-testifying expert.

- Some courts hold that experts cannot "compartmentalize" their work, and that experts designated as trial witnesses cannot protect documents created or received in connection with their parallel work as non-testifying experts. In re Painted Aluminum Prods. Antitrust Litig., No. 95-CV-6557, 1996 U.S. Dist. LEXIS 9911 (E.D. Pa. July 9, 1996).

- Other courts allow the same person to be a non-testifying expert in one case and a testifying expert in another, thereby limiting discovery to the latter. Moore U.S.A. Inc. v. Standard Register Co., 206 F.R.D. 72 (W.D.N.Y. 2001).

Courts also disagree about discovery of testifying experts who move in the other direction (having been removed from the witness list by the litigant who retained them).

- FMC Corp. v. Vendo Co., 196 F. Supp. 2d 1023 (E.D. Cal. 2002) (noting the debate among courts on this issue, and ultimately concluding that such non-testifying experts enjoy immunity under the "exceptional circumstances" standard).

4. Who Can Assert the Work Product Doctrine

Most courts hold that both clients and lawyers can assert the work product protection. In re Grand Jury Proceedings, 43 F.3d 966, 972 (5th Cir. 1994); United States v. Under Seal (In re Grand Jury Proceedings), 33 F.3d 342, 348 (4th Cir. 1994).

Most courts hold that the Garner rule and fiduciary exception (discussed above) do not cover work product prepared by the corporation's lawyer. Cox v. Adm'r United States Steel & Carnegie, 17 F.3d 1386, 1423 (11th Cir. 1994), cert. denied, 513 U.S. 1110 (1995); Strougo v. BEA Assocs., 199 F.R.D. 515 (S.D.N.Y. 2001). But see Hudson v. General Dynamics Corp., 186 F.R.D. 271, 274 (D. Conn. 1999).

Most courts find that work product can be freely shared under a common interest arrangement. United States ex rel. Burroughs v. DeNardi Corp., 167 F.R.D. 680, 685-86 (S.D. Cal. 1996).

- One court has found that a common interest agreement itself deserves work product protection. McNally Tunneling Corp. v. City of Evanston, No. 00 C 6979, 2001 U.S. Dist. LEXIS 17090, at *12 (N.D. Ill. Oct. 16, 2001).

Non-parties to litigation generally cannot claim work product protection because someone else anticipated litigation. Kline v. Gulf Ins. Co., No. 1:01-CV-213, 2001 U.S. Dist. LEXIS 20603, at *5 (W.D. Mich. Nov. 26, 2001).

Courts disagree about the duration of the work product protection.

- Some courts apply the work product doctrine protection to material in a later litigation, as long as it is related to the litigation in which the work product was prepared. Simmons Foods, Inc. v. Willis, 196 F.R.D. 610 (D. Kan. 2000).

- Some courts apply the work product protection even in later unrelated litigation. Cincinnati Ins. Co. v. Zurich Ins. Co., 198 F.R.D. 81 (W.D.N.C. 2000).

C. Context: Temporal Component

Unlike the attorney-client privilege, context is much more important in the work product arena than content.

- The privilege rests on the substance of the communication between a lawyer and client; the work product doctrine rests on when and why the client or a client representative created a document -- the substance might be as mundane as a laboratory test result and accident scene picture, or list of newspaper articles.

1. Temporal Requirement

The work product doctrine has both a temporal and a motivational component (which is discussed below).

a. Difference Between the Privilege and the Work Product Doctrine

Although the attorney-client privilege can protect communications between a lawyer and client at any time, the work product doctrine only protects materials created at certain times -- in connection with, or in "anticipation" of, litigation. Restatement (Third) of Law Governing Lawyers § 87 cmt. d (2000).

b. "Litigation" Requirement

Courts assessing a work product claim obviously must determine if they are dealing with "litigation" as contemplated in Fed. R. Civ. P. 26(b)(3).

In some situations, courts have no trouble with this task. However, some situations call for a more subtle analysis.

- See, e.g., Pacific Gas & Elec. Co. v. United States, 69 Fed. Cl. 784, 806, 808 (Fed. Cl. 2006) (holding that administrative proceedings before the Nuclear Regulatory Agency and two California administrative agencies did not automatically count as "litigation" -- because the "ultimate objective" of the administrative process was not adversarial, but rather to set rates or deal with licenses; noting that the proceedings might become adversarial if someone intervenes, so the court analyzed each pertinent document to determine if (as the court put it in one context) the document "would have been prepared irrespective of the potential adversarial aspects" of a rate proceeding; explaining that the work product doctrine would not protect any document that was prepared to obtain a permit or license "rather than in order to respond to, rebut, strategize for, or otherwise 'litigate' against a known adversary" -- even if the document "is later used in adversarial aspects of these proceedings").

- Most courts hold that government investigations do not amount themselves to "litigation," but that an investigation can result in a reasonable anticipation of litigation. Pacamor Bearings, Inc. v. Minebea Co., 918 F. Supp. 491, 513 (D.N.H. 1996).

c. Subjective and Objective Components

Most courts indicate that the "anticipation" requirement has both a subjective and objective component.

- Somewhat ironically, it might be reasonable for a party to anticipate litigation even though it never comes, and it might be unreasonable to anticipate litigation even though it ultimately occurs. Restatement (Third) of Law Governing Lawyers § 87 cmt. i (2000); Binks Mfg. Co. v. National Presto Indus., Inc., 709 F.2d 1109 (7th Cir. 1983).

d. Need for Specific Claim

Courts debate whether a party asserting the work product protection must identify a specific claim in anticipation of which the party prepared the work product.

- Some courts require identification of a specific claim. In re Grand Jury Proceedings, No. M-11-189, 2001 U.S. Dist. LEXIS 15646, at *55 (S.D.N.Y. Oct. 3, 2001); Schmidt, Long & Assocs., Inc. v. Aetna U.S. Healthcare, Inc., Civ. A. No. 00-CV-3683, 2001 U.S. Dist. LEXIS 7145, at *13 (E.D. Pa. May 31, 2001).

- Other courts are more liberal, and do not require a party to identify a specific claim. Judicial Watch, Inc. v. Reno, 154 F. Supp. 2d 17, 18 (D.D.C. 2001).

This distinction can be enormously important for companies which face "pattern" litigation such as products liability or employment discrimination cases.

- If the court protects only those documents prepared in connection with or in anticipation of a specific identifiable claim, the company might lose a work product fight over such documents as guidelines for handling a pre-litigation investigation, protocols for responding to threats of litigation, etc.

e. Degree of Anticipation Required

Courts apply widely varying views of what exactly must be "anticipated" to trigger the work product protection -- varying from the possibility of litigation being "real and imminent" (McCoo v. Denny's Inc., 192 F.R.D. 675, 683 (D. Kan. 2000)) to there being "some possibility of litigation." In re Grand Jury Investigation, 599 F.2d 1224, 1229 (3d Cir. 1979).

- In just a span of a few weeks, one court recently explained that a party seeking work product protection must show only that "litigation was a real possibility" (In re OM Group Sec. Litig., 226 F.R.D. 579, 584-85 (N.D. Ohio 2005), while another court one state away held that the work product protection could not apply "[i]f litigation is not imminent." Esposito v. Galli, No. 4:04-CV-475, 2005 U.S. Dist. LEXIS 1559, at *13 (M.D. Pa. Feb. 4, 2005) (internal quotations and citation omitted).

Assessing the "anticipation of litigation" requirement can be very complicated.

- For instance, one court held that a company's reasonable anticipation of government litigation against it dissipated after the lapse of eight months. In re Grand Jury Proceedings, No. M-11-189, 2001 U.S. Dist. LEXIS 15646, at *59 (S.D.N.Y. Oct. 3, 2001).

- Another court refused work product protection for documents created during a time that companies had entered into a “tolling agreement.” Minebea Co. v. Papst, 229 F.R.D. 1, 4 (D.D.C. 2005) (noting that Papst had sued a company called Western Digital, but later dismissed the lawsuit without prejudice and entered into a tolling agreement with Western Digital; holding that documents created after that time were “no longer created for litigation purposes; rather, they [were] produced to facilitate a business relationship;” explaining that “[t]his is true even if the parties eventually end up in litigation because the negotiations fail,” although acknowledging that “there is clearly a point at which the parties once again begin 'anticipating litigation' as the relationship decays”).

f. "Trigger Events"

Courts have pointed to certain "triggering events" as justifying a reasonable anticipation of litigation:

- Examples include: plaintiff's consultation with a lawyer (Wikel v. Wal-Mart Stores, Inc., 197 F.R.D. 493 (N.D. Okla. 2000)); plaintiff's retention of a lawyer (In re Weeks Marine, Inc., 31 S.W.3d 389, 391 (Tex. App. 2000)); defendant's receipt of correspondence from plaintiff's lawyer (McNulty v. Bally's Park Place, Inc., 120 F.R.D. 27, 29 (E.D. Pa. 1988)); defendant's retention of a lawyer (Gulf Ins. Co. v. Alliance Steel LLC, No. 00 Civ. 2611 (RO), 2001 U.S. Dist. LEXIS 992, at *4 (S.D.N.Y. Feb. 6, 2001), but see Connecticut Indem. Co. v. Carrier Haulers, Inc., 197 F.R.D. 564, 571 (W.D.N.C. 2000)); IRS audit (United States v. Ackert, 76 F. Supp. 2d 222, 227 (D. Conn. 1999)); IRS notice disputing a taxpayer's valuation (Bernardo v. Commissioner, 104 T.C. 677, 688 (T.C. 1995)); filing of a charge with the EEOC (Miller v. Federal Express Corp., 186 F.R.D. 376, 387-88 (W.D. Tenn. 1999)); filing of OSHA charge (Herman v. Crescent Publ'g Group, No. 00 Civ. 1665 (SAS), 2000 U.S. Dist. LEXIS 13738, at *13-14 (S.D.N.Y. Sept. 21, 2000)); receipt of anonymous employee complaints about a hostile atmosphere (McPeek v. Ashcroft, 202 F.R.D. 332, 338 (D.D.C. 2001)); receipt of a letter from another party that took a "litigious tone" (Caremark, Inc. v. Affiliated Computer Servs., Inc., 195 F.R.D. 610, 617-18 (N.D. Ill. 2000)); litigation in foreign countries (SmithKline Beecham Corp. v. Apotex Corp., No. 98 C 3952, 2000 U.S. Dist. LEXIS 13606, at *12 (N.D. Ill. Sept. 12, 2000)); plaintiff's statement of an intent to retain a lawyer (Wikel v. Wal-Mart Stores, Inc., 197 F.R.D. 493 (N.D. Okla. 2000)); involvement of a corporation's in-house law department in directing and controlling an accident investigation (Federal Express Corp. v. Cantway, 778 So. 2d 1052 (Fla. Dist. Ct. App. 2001)); other litigation against the same defendant (United States v. Gericare Med. Supply, Inc., No. 99-0366-CB-L, 2000 U.S. Dist. LEXIS 19662 (S.D. Ala. Dec. 11, 2000)); a wrongdoer's guilty plea to a criminal charge and implication of others (United States v. Gericare Med. Supply, Inc., No. 99-0366-CB-L, 2000 U.S. Dist. LEXIS 19662, at *10 (S.D. Ala. Dec. 11, 2000)); a letter from an experienced Title VII law firm alleging a violation of the Civil Rights Act and threatening an administrative complaint with the EEO (McPeek v. Ashcroft, 202 F.R.D. 332, 339 (D.D.C. 2001)); a university's termination of an employee (Long v. Anderson Univ., 204 F.R.D. 129 (S.D. Ind. 2001)); a company's retention of a consultant laboratory to assist in vigorously enforcing its patents (Moore U.S.A. Inc. v. Standard Register Co., 206 F.R.D. 72, 75 (W.D.N.Y. 2001)); receipt of a subpoena from a government agency (In re Grand Jury Proceedings, No. M-11-189, 2001 U.S. Dist. LEXIS 15646, at *61 (S.D.N.Y. Oct. 3, 2001)).

g. Insurance Context

Most courts hold that in the "first party" insurance context, insurance companies cannot reasonably anticipate litigation with their insureds in every case -- at least until something triggers such a reasonable anticipation. Stampley v. State Farm Fire & Cas. Co., 23 F. App'x 467, 470-71 (6th Cir. 2001).

- Courts are more generous in the third party insurance context. Urban Outfitters, Inc. v. DPIC Cos., 203 F.R.D. 376, 379-80 (N.D. Ill. 2001).

- Courts take differing approaches as to when an insurance company can reasonably anticipate bad faith claim litigation by an insured or a third party. Kidwiler v. Progressive Paloverde Ins. Co., 192 F.R.D. 536 (N.D.W. Va. 2000).

2. Danger: The Duty to Preserve Documents Might Start on the "Trigger" Date

Companies considering whether to claim the work product protection after some "trigger" event results in the reasonable anticipation of litigation against the company (discussed below) should remember that the same "trigger" might require them to start saving potential relevant documents.

The obligation of any litigant (or possible litigant) to preserve potentially responsive evidence obviously does not present a new issue -- but the enormous volume of electronic communications clearly makes the analysis more difficult, and exacerbates the possible burden.

It should go without saying that litigants must preserve potentially responsive documents (including electronic documents).

- The duty obviously arises before a discovery request arrives -- and can also arise before litigation begins.

The most widely quoted standard comes from the Southern District of New York. Zubulake v. UBS Warburg LLC, 220 F.R.D. 212 (S.D.N.Y. 2003).

- In Zubulake, the court held that: "[t]he obligation to preserve evidence arises . . . when a party should have known that the evidence may be relevant to future litigation." Id. at 216.

- In discussing the scope of a company's duty to preserve, the court rejected a blanket duty. "Must a corporation, upon recognizing the threat of litigation, preserve every shred of paper, every e-mail or electronic document, and every backup tape? The answer is clearly, 'no.' Such a rule would cripple large corporations, like UBS, that are almost always involved in litigation. As a general rule, then, a party need not preserve all backup tapes even when it reasonably anticipates litigation." Id. at 217 (footnotes omitted).

- Instead, the court explained that a company which anticipates being sued "must not destroy unique, relevant evidence that might be useful to an adversary." Id. The court held that the preservation duty extends to all "key players" in the anticipated litigation. Id. at 217-18.

- The Zubulake court found that UBS should have preserved electronic documents that were ultimately destroyed. It ordered UBS Warburg to pay the cost of the plaintiff's motion, directed the company to reimburse plaintiff for the costs of any depositions or re-depositions necessitated by the document destruction, and approved a jury instruction containing an adverse inference about the destroyed back-up tapes. Zubulake v. UBS Warburg LLC, 229 F.R.D. 422 (S.D.N.Y. 2004).

Courts have developed a very stringent rule requiring companies to save documents when they reasonably anticipate litigation, and severely punishing the companies that do not.

- E*Trade Sec. LLC v. Deutsche Bank AG, 230 F.R.D. 582, 587-88 (D. Minn. 2005) (assessing a spoliation claim against Deutsche Bank; explaining that a litigant asserting a spoliation claim must show bad faith if its adversary destroyed documents before the appropriate "trigger date," but need not show bad faith if documents are destroyed after that date; defining the "trigger date" as the date "when a party knows or should have known that the evidence is relevant to future or current litigation").

Courts' analyses of the "trigger" date for preserving documents essentially matches the "trigger" date for the work product doctrine.

- See, e.g., Broccoli v. Echostar Commc'ns Corp., 229 F.R.D. 506, 512, 510-11 (D. Md. 2005) (holding that a company had engaged in spoliation, and approving "an adverse spoliation of evidence instruction in the jury instructions"; "[T]he evidence in this case amply supports the finding that Echostar was placed on notice of potential litigation arising out of plaintiff's allegations of sexual harassment and retaliation as early as January 2001. Beginning in January 2001, Broccoli informed two of his supervisors at Echostar, Chip Paulson and Larry Goldman (as each testified on deposition and at trial), both orally and via email, of Andersen's sexually harassing behavior. Paulson and Goldman testified that Broccoli made numerous complaints to them regarding Andersen's inappropriate behavior throughout 2001 and that they subsequently relayed, verbally and via email, the complaints to their superiors at Echostar."; finding that the company should have started saving document as of that time).

Large companies have found themselves severely punished for destroying electronic documents under this standard.

- A court ordered Philip Morris to pay $2.75 million as a sanction for not preserving relevant e-mails, and also prohibited Philip Morris from relying on the testimony of any of its executives who had not saved their e-mails. United States v. Philip Morris USA Inc., 327 F. Supp. 2d 21 (D.D.C. 2004).

- Morgan Stanley lost a highly publicized Florida state court case involving allegations of document spoliation. The verdict against Morgan Stanley was approximately $1.5 billion. Landon Thomas Jr., Jury Tallies Morgan's Total at $1.45 Billion, N.Y. Times, May 19, 2005, at C1; see also Michael Christie, Morgan Stanley $1.45B Judgment Points to E-Mail Peril, Reuters News, May 20, 2005.

In one recent case, the Southern District of New York pointed to a well-known law firm's privilege log (which claimed work product protection for an historic document) as evidence that the company anticipated litigation as of that date -- thus triggering a duty to preserve documents. Ironically, the court had earlier held that the historic document did not deserve work product protection, because the company had prepared it in the "ordinary course" of business.

- Anderson v. Sotheby's Inc. Severance Plan, No. 04 Civ. 8180 (SAS), 2005 U.S. Dist. LEXIS 23517, at *16, *15-16 (S.D.N.Y. Oct. 11, 2005) (assessing an ERISA claim by a former Sotheby's employee; declining to grant plaintiff an adverse inference instruction based on what he alleged to

have been Sotheby's wrongful spoliation of evidence; noting that the Sotheby's Severance Plan Committee Secretary routinely destroyed her handwritten meeting notes after she prepared a typewritten Committee Report, so plaintiff had not proven that the ERISA Administrator had "intentionally destroyed notes of the Committee meetings to prevent plaintiff from obtaining them"; however, also noting that the Committee's Chair and the Plan Administrator's outside lawyer interviewed several employees (of Sotheby's successor Cendant) regarding the plaintiff's claims, and that Sotheby's lawyers O'Melveny & Myers had withheld the interview notes during discovery by asserting both attorney-client privilege and work product protection; although the Magistrate Judge had earlier found that the notes were prepared in the ordinary course of business and therefore did not deserve either protection, "because the Administrator claimed that it reasonably anticipated litigation as of July 6, 2004 [the date of the interview], the Administrator's duty to preserve the documents arose as of that date" (emphases added)).

D. Context: Motivational Component

In additional to the temporal requirement of the work product doctrine (discussed above), a party asserting the protection must also satisfy a motivational component.

1. Motivational Requirement

To deserve work product protection, a document must not only have been created at a time when the preparer anticipated litigation, the document must have been prepared because of the litigation. In re Grand Jury Proceedings, No. M-11-189, 2001 U.S. Dist. LEXIS 15646, at *50 (S.D.N.Y. Oct. 3, 2001).

- Many lawyers fail to recognize the significance of this motivational requirement. Long v. Anderson Univ., 204 F.R.D. 129, 137-38 (S.D. Ind. 2001).

a. Documents Created Pursuant to an External or Internal Requirement

The work product doctrine generally does not extend to documents prepared pursuant to some law, regulation or internal procedure regardless of whether litigation is anticipated or not. Amway Corp. v. Procter & Gamble Co., No. 1:98-CV-726, 2001 U.S. Dist. LEXIS 4561, at *18 (W.D. Mich. Apr. 3, 2001).

b. Documents Created in the "Ordinary Course of Business"

Documents created in the "ordinary course of business" do not deserve work product protection. Energy Capital Corp. v. United States, 45 Fed. Cl. 481, 485 (Fed. Cl. 2000); Goosman v. A. Duie Pyle, Inc., 320 F.2d 45, 52 (4th Cir. 1963).

- The following type of documents have been found to be created in the "ordinary course of business" and thus undeserving of work product protection: committee minutes (United States v. South Chicago Bank, No. 97 CR 849-1, 2, 1998 U.S. Dist. LEXIS 17445, at *23 (N.D. Ill. Oct. 16, 1998)); police reports (Collins v. Mullins, 170 F.R.D. 132, 135 (W.D. Va. 1996); Darnell v. McMurray, 141 F.R.D. 433, 435 (W.D. Va. 1992)); insurance investigation reports (St. Paul Reinsurance Co. v. Commercial Fin. Corp., 197 F.R.D. 620 (N.D. Iowa 2000)); accident reports (Wikel v. Wal-Mart Stores, Inc., 197 F.R.D. 493, 495 (N.D. Okla. 2000)); computer databases (Colorado ex rel. Woodard v. Schmidt-Tiago Constr. Co., 108 F.R.D. 731, 734 (D. Colo. 1986)); other investigative reports (United States v. Ernstoff, 183 F.R.D. 148, 156 (D.N.J. 1998)); claims statistics (In re Bairnco Corp. Sec. Litig., 148 F.R.D. 91, 103 (S.D.N.Y. 1993)); witness statements taken by insurance adjusters (Holton v. S&W Marine, Inc., No. 00-1427 SECTION "L" (5), 2000 U.S. Dist. LEXIS 16604, at *8 (E.D. La. Nov. 9, 2000); Pfender v. Torres, 765 A.2d 208 (N.J. Super Ct. App. Div. 2001)); practically any document created by a tobacco company which is litigating in Kansas Federal Court, which takes the bizarre approach that tobacco companies are actually in the "business of litigation." Burton v. R.J. Reynolds Tobacco Co., 200 F.R.D. 661, 676 (D. Kan. 2001).

Significantly, many courts apply this "ordinary course of business" standard regardless of a lawyer's involvement.

- Even materials generated during a lawyer-supervised corporate investigation will not deserve work product protection if the investigation would have been conducted in the "ordinary course of business." Guardsmark, Inc. v. Blue Cross & Blue Shield, 206 F.R.D. 202 (W.D. Tenn. 2002); Poseidon Oil Pipeline Co. v. Transocean Sedco Forex, Inc., Civ. A. No. 00-76 c/w 00-2154 SECTION "T"(2), 2001 U.S. Dist. LEXIS 18553, at *19-21 (E.D. La. Oct. 30, 2001); Welland v. Trainer, No. 00 Civ. 0738 (JSM), 2001 U.S. Dist. LEXIS 15556 (S.D.N.Y. Sept. 28, 2001).

c. Other Documents Not Motivated by Litigation

Even if materials were not created in the "ordinary course" of a company's business, they will not deserve work product protection unless they were motivated by the litigation. Seibu Corp. v. KPMG LLP, No. 3-00-CV-1639-X, 2002 U.S. Dist. LEXIS 906 (N.D. Tex. Jan. 18, 2002).

- A recent case shows how narrow some courts can be. In re Royal Ahold N.V. Sec. & ERISA Litig., 230 F.R.D. 433, 435 & n.3 (D. Md. 2005) (assessing Royal Ahold's work product claim for 827 witness interview memoranda prepared by outside counsel during an investigation; finding that the work product doctrine did not apply because the investigation was designed to "satisfy the requirement" of the company's outside accountants, and that "the investigation would have been undertaken even

without the prospect of preparing a defense to a civil suit"; quoting a statement by the company's board chairman to shareholders that "[t]he purpose of our internal investigations is to enable our accountants to resume their audit work at quickly as possible"; also quoting from the accountant's letter to the company's audit committee, which indicated that the company had conducted the investigation "to address the concerns" raised by the accountant).

- Even more recently, a court held that the work product doctrine did not protect a company's investigation begun within hours of an industrial accident in which the plaintiff lost his hand -- because the company had advised the plaintiff that it was "our standard practice to investigate accidents," so that the company apparently would have investigated the accident even if it had not anticipated the obvious litigation that almost immediately followed. Harpster v. Advanced Elastomer Sys., L.P., 2005 Ohio 6919, at ¶ 10 (Ohio Ct. App. 2005), appeal denied, 2006 Ohio 2466 (Ohio 2006).

- This theme appears in many similar cases. Carroll v. Praxair, Inc., No. 2:05-cv-307, 2006 U.S. Dist. LEXIS 43991, at *3, *10, *11, *12 (W.D. La. June 28, 2006) (assessing an investigation that resulted from an industrial accident in which a truck driver at defendant Praxair's facility was found unconscious; noting that within 24 hours, Praxair's law department created an investigation team -- instructing the team to report back to the law department and mark all their documents "Confidential Attorney Client/Work Product Privilege"; also pointing out that Praxair offered an affidavit of one of its environmental services managers stating under oath that the investigation was "lawyer-driven and primarily designed to address claims of liability and expected litigation against Praxair" (internal quotations omitted); rejecting Praxair's affidavit and argument, and instead pointing to testimony that "investigations are routinely done following any accident that occurs"; also noting that Praxair "made certain changes in its operations" as a result of the investigation, highlighting the business nature of the investigation; pointing out that "there is nothing before the court to indicate whether all investigations of accidents were conducted under the direction of the Praxair's Law Department.").

d. Types of Documents Protected by the Work Product Doctrine

Courts have debated what types of materials deserve work product protection.

- Some courts only protect documents primarily "concerned with legal assistance" (Trustmark Ins. Co. v. General & Cologne Life Re of Am., Case No. 00 C 1926, 2000 U.S. Dist. LEXIS 18917, at *10 (N.D. Ill. Dec. 19, 2000)); or for use in mapping litigation strategy or other purposes relating to the lawsuit itself. Amway Corp. v. Procter & Gamble Co., No. 1:98cv 726, 2001 U.S. Dist. LEXIS 4561, at *26-27 (W.D. Mich. Apr. 3, 2001).

- Other courts (such as those in the Second Circuit) are more liberal, and protect documents "intended to assist in the making of a business decision influenced by the likely outcome of the anticipated litigation." McGrath v. Nassau County Health Care Corp., 204 F.R.D. 240, 2001 U.S. Dist. LEXIS 19817 (E.D.N.Y. 2001).

- If a document was prepared for both litigation and non-litigation reasons, most courts look at the "primary purpose" of the document in determining whether it deserve work product protection. Admiral Ins. Co. v. R.A. Jakelis & Co., Nos. 99-2270, 99-2676, 99-3281, 00-1485 SECTION A(1), 2000 U.S. Dist. LEXIS 14151, at *18 (E.D. La. Sept. 21, 2000).

2. Deceptive Conduct

Some courts find that work product materials prepared through some client or lawyer wrongdoing (such as wiretapping) are not entitled to work product protection. Anderson v. Hale, 202 F.R.D. 548, 558 (N.D. Ill. 2001).

- In assessing a lawyer's conduct, some courts and bars have permitted lawyers and those working under their direction to engage in deceptive conduct that is justifiably deemed to have socially worthwhile purposes -- such as housing discrimination tests. Arizona LEO 99-11 (9/1999).

- Some courts have taken an even more expansive approach, and permitted lawyers to direct their subordinates to engage in knowingly deceptive conduct that seems to have a purely commercial purpose -- as long as the deception is not too gross. Gidatex, S.r.L. v. Campaniello Imports, Ltd., 82 F. Supp. 2d 119 (S.D.N.Y. 1999); Apple Corps Ltd. v. Int'l Collectors Soc'y, 15 F. Supp. 2d 456 (D.N.J. 1998).

3. Application to Internal Corporate Investigations

a. Courts' Analysis of Work Product Claims for the Fruits of Internal Corporate Investigations

Most clients (and many lawyers) believe that the work product doctrine normally covers lawyer-supervised investigations of some accounting problem, employee wrongdoing, etc.

- Even if such investigations satisfy the temporal element of the work product doctrine, they often fail the motivational element.

Courts analyzing work product claims for internal corporate investigations tend to focus on three aspects.

(1) The initiating documents which describe the corporate investigation. These documents sometimes reflect a businessperson's description of the problem, even before the company involves or hires lawyers. Even when lawyers are involved, the initiating documents sometimes shy away from mentioning possible litigation -- perhaps for public relations reasons.

(2) The course of the investigation. In some situations the internal corporate investigation report focuses on business or process issues rather than litigation issues.

(3) The use of the investigation results. If companies use the investigation results to make employment decisions, re-tool corporate processes, etc., a court is more likely to find that the company undertook the investigation as a business rather than a litigation-related step.

b. Examples

Many large and prestigious law firms have failed in their efforts to protect the fruits of their corporate investigations.

For example, courts found that materials generated during the following lawyer-supervised corporate investigations did not deserve work product protection, because the company and its law firm had failed to show that the investigation was primarily motivated by litigation reasons.

- An investigation undertaken by Weil, Gotshal and Arthur Andersen into accounting irregularities at Leslie Fay. In re Leslie Fay Cos. Sec. Litig., 161 F.R.D. 274 (S.D.N.Y. 1995).

- An investigation undertaken by Davis Polk into alleged fraud at Kidder Peabody. In re Kidder Peabody Sec. Litig., 168 F.R.D. 459 (S.D.N.Y. 1996).

- An investigation undertaken by Willkie Farr into alleged wrongdoing at Sensormatic. In re Subpoena Duces Tecum Served on Willkie Farr & Gallagher, No. M8-85 (JSM), 1997 U.S. Dist. LEXIS 2927 (S.D.N.Y. Mar. 14, 1997).

- An investigation undertaken by Gibson, Dunn into alleged wrongdoing at KPMG. Seibu Corp. v. KPMG LLP, No. 3-00-CV-1639-X, 2002 U.S. Dist. LEXIS 906 (N.D. Tex. Jan. 18, 2002).

- An investigation undertaken by Weil, Gotshall and forensic accountant Ten Eyck into alleged wrongdoing at OMG. In re OM Group Sec. Litig., 226 F.R.D. 579 (N.D. Ohio 2005).

- An investigation undertaken by White & Case and Price Waterhouse Coopers into alleged wrongdoing at Royal Ahold. In re Royal Ahold N.V. Sec. & ERISA Litig., 230 F.R.D. 433 (D. Md. 2005).

Although we will never know if these law firms knew from the beginning (and advised their clients) that their investigations would not deserve work product protection, we do know that they argued for such protection after the fact -- and lost.

E. Content: Fact and Opinion

As explained above, the content of work product is far less important than its context.

1. Scope of the Protection

Although the work product doctrine on its face applies only to "documents and tangible things" (Fed. R. Civ. P. 26(b)(3)), most courts apply the protection to non-tangible information such as deposition testimony. In re Lorazepam v. Clorazepate Antitrust Litig., MDL Dkt. No. 1290, Misc. No. 99-276 (TFH/JMF), 2001 U.S. Dist. LEXIS 11794, at *14 (D.D.C. July 16, 2001).

Unlike the attorney-client privilege, work product comes in two forms -- fact and opinion.

- Because opinion work product receives dramatically higher protection than fact work product, litigants often fight about the proper characterization.

2. Fact Work Product

Fact work product includes "tangible materials and intangible equivalents prepared, collected, or assembled by a lawyer. Tangible materials include documents, photographs, diagrams, sketches, questionnaires and surveys, financial and economic analyses, hand-written notes, and material in electronic and other technologically advanced forms, such as stenographic, mechanical, or electronic recordings or transmissions, computer data bases, tapes, and printouts." Restatement (Third) of Law Governing Lawyers § 87 cmt. f (2000).

- The following materials can receive fact work product protection: statements obtained from witnesses (Horning-Keating v. State, 777 So. 2d 438, 443 (Fla. Dist. Ct. App. 2001)); recordings of witness interviews (Jones v. Ada S. McKinley Cmty. Servs., No. 89 C 0319, 1989 U.S. Dist. LEXIS 14312, at *7 (N.D. Ill. Nov. 28, 1989)); lawyers' notes taken during witness interviews (Herman v. Crescent Publ'g Group, No. 00 Civ. 1665 (SAS), 2000 U.S. Dist. LEXIS 13738, at *16 (S.D.N.Y. Sept. 20, 2000)); investigation reports (Herman v. Crescent Publ'g Group, No. 00 Civ. 1665 (SAS), 2000 U.S. Dist. LEXIS 13738, at *22 (S.D.N.Y. Sept. 20, 2000)); surveillance tapes (Bradley v. Wal-Mart Stores, Inc. 196 F.R.D. 557 (E.D. Mo. 2000)); the details of and results of laboratory tests (Novartis Pharms. Corp. v. Abbott Labs., 203 F.R.D. 159, 163 (D. Del. 2001); Moore U.S.A. Inc. v. Standard Register Co., 206 F.R.D. 72, 76 (W.D.N.Y. 2001)); material generated during a law firm's investigation (Abramian v. President & Fellows of Harvard Coll., No. 93-5968-C, 2001 Mass. Super. LEXIS 598 (Mass. Super. Ct. Nov. 29, 2001)); computer databases of information. Cornelius v. CONRAIL, 169 F.R.D. 250, 253, 251 (N.D.N.Y. 1996); Maloney v. Sisters of Charity Hosp., 165 F.R.D. 26, 30 (W.D.N.Y. 1995); Shipes v. BIC Corp., 154 F.R.D. 301, 309 (M.D. Ga. 1994); Indiana Coal Council v. Hodel, 118 F.R.D. 264, 268 (D.D.C. 1988); Indiana State Bd. of Pub. Welfare v. Tioga Pines Living Ctr., Inc., 592 N.E.2d 1274, 1275, 1277-78 (Ind. Ct. App. 1992). But see Colorado ex rel. Woodard v. Schmidt-Tiago Constr. Co., 108 F.R.D. 731, 734 (D. Colo. 1985).

Background information about the creation of work product generally will not itself deserve protection. Amway Corp. v. P&G Co., No. 1:98-CV-726, 2001 U.S. Dist. LEXIS 2281, at *16 (W.D. Mich. Feb. 23, 2001).

The work product doctrine generally does not protect from disclosure underlying historical facts. White v. Kenneth Warren & Son, Ltd., 203 F.R.D. 369, 373 (N.D. Ill. 2001).

3. Opinion Work Product

a. General Rule

Opinion work product includes the impressions or opinions of a lawyer or other client representative.

- Opinion work product communicated to a client might also deserve attorney-client privilege protection, and it usually is worth asserting both protections -- the attorney-client privilege can provide absolute assurance of confidentiality, but the work product doctrine protection is less susceptible to waiver and therefore may survive the sharing of information with third parties (discussed below).

- Examples of opinion work product include: a lawyer's memoranda reflecting legal strategy or analysis (Restatement (Third) of Law Governing Lawyers § 89 cmt. b (2000); Baker v. Gen. Motors Corp., 209 F.3d 1051, 1054 (8th Cir. 2000)); draft settlement agreements (N.V. Organon v. Elan Pharms., Inc., No. 99 Civ. 11674 (JGK) (RLE), 2000 U.S. Dist. LEXIS 15394, at *5, *6 (S.D.N.Y. Oct. 20, 2000)); details of and results of laboratory tests (SmithKline Beecham Corp. v. Pentech Pharms., Inc., No. 00 C 2855, 2001 U.S. Dist. LEXIS 18281, at *14-15 (N.D. Ill. Nov. 5, 2001)); draft materials prepared in anticipation of litigation or for trial. SmithKline Beecham Corp. v. Pentech Pharms., Inc., No. 00 C 2855, 2001 U.S. Dist. LEXIS 18281, at *14 (N.D. Ill. Nov. 5, 2001).

b. Recurring Issues Involving Opinion Work Product

Unfortunately for litigants and their lawyers seeking some certainty, courts take widely differing positions on opinion work product protection for commonly created documents.

- For instance, three decisions issued by courts in three different states within approximately one month of each other show the disagreement about just one issue -- whether a company's loss reserve figures deserve opinion work product protection. First, a Massachusetts state court held

that "when the reserve is set during or in anticipation of litigation, it falls within the rubric of opinion work product." Rhodes v. AIG Domestic Claims, Inc., No. 05-1306-BLS2, 2006 Mass. Super. LEXIS 19, at *38 (Mass. Super. Ct. Jan. 23, 2006). About two weeks later, another court reached the same conclusion. Bondex Int'l. Inc. v. Hartford Accident & Indem. Co., No. 1:03CV1322, 2006 U.S. Dist. LEXIS 6044 (N.D. Ohio Feb. 14, 2006). About two weeks after that, another court held just the opposite -- finding such reserve information unprotected by the attorney-client privilege or the work product doctrine. Ryan v. Nat'l Union Fire Ins. Co., No. 3:03-CV-00644 (CFD), 2006 U.S. Dist. LEXIS 7366 (D. Conn. Feb. 28, 2006).

Courts have debated the applicability of the opinion work product to several recurring situations worth mentioning.

First, some courts hold that every lawyer-prepared summary of a witness interview (or similar document) deserves opinion work product protection, because it necessarily reveals the lawyer's thought process (about what to ask the witness, what to write down, etc.). Surles v. Air France, No. 88 Civ. 5004 (RMB)(FM), 2001 U.S. Dist. LEXIS 10048, at *18 (S.D.N.Y. July 17, 2001); St. Paul Reinsurace Co. v. Commercial Fin. Corp., 197 F.R.D. 620 (N.D. Iowa 2000).

- Other courts are not as generous. In re Royal Ahold N.V. Sec. & ERISA Litig., 230 F.R.D. 433, 437 (D. Md. 2005) (holding that a lawyer's witness interview memoranda consisted of a "fairly straight forward recitation of the information provided by the witness," and therefore did not deserve opinion work product protection); Alexander v. FBI, 198 F.R.D. 306 (D.D.C. 2000); Nationwide Ins. Co. v. Aldershoff, C.A. No. 00C-11-048-JRS & 00C-12-137-JRS, 2001 Del. Super. LEXIS 420, at *3 (Del. Super. Ct. Sept. 10, 2001); Casella v. Hugh O'Kane Elec. Co., No. 00 Civ. 2481 (LAK), 2000 U.S. Dist. LEXIS 16001, at *2-3 (S.D.N.Y. Nov. 2, 2000).

- Of course, as explained above, every court recognizes that some portions of such a document could deserve opinion work product protection (if they explicitly articulate the lawyer's opinion).

Second, some courts hold that the opinion work product protects the identity of the witnesses the litigant has interviewed (out of the universe of witnesses who might possess pertinent knowledge). Electronic Data Sys. Corp. v. Steingraber, No. 4:02 CV 255, 2003 U.S. Dist. LEXIS 11816, at *6 (E.D. Tex. June 27, 2003) ("revealing the identity of witnesses interviewed would permit opposing counsel to infer which witnesses counsel considers important, thus revealing mental impressions and trial strategy"); McIntyre v. Main St. & Main Inc., No. C-99-5328 MJJ (EDL), 2000 U.S. Dist. LEXIS 19617, at *7 (N.D. Cal. Sept. 29, 2000).

- Other courts are not as generous. Long v. Anderson Univ., 204 F.R.D. 129, 138 (S.D. Ind. 2001).

Third, most courts hold that the opinion work product doctrine does not cover factual information obtained by a lawyer from third parties. McCoo v. Denny's Inc., 192 F.R.D. 675, 695 (D. Kan. 2000).

- This principle generally applies to document collections obtained by a litigant from a trial advocacy group such as the ATLA. Miller v. Ford Motor Co., 184 F.R.D. 581, 583 (S.D.W. Va. 1999); Hendrick v. Avis Rent A Car Sys., Inc., 916 F. Supp. 256, 259 (W.D.N.Y. 1996); Bartley v. Isuzu Motors Ltd., 158 F.R.D 165, 167 (D. Colo. 1994); Shipes v. BIC Corp., 154 F.R.D. 301 (M.D. Ga. 1994); Bohannon v. Honda Motor Co., 127 F.R.D. 536 (D. Kan. 1989).

- The opinion work product doctrine should protect a lawyer's compilation of documents or facts from a third party, if the compilation would reveal the lawyer's opinion (for instance, the opinion work product should protect the identity of a small number of documents that a lawyer has selected from a larger collection made available by a third party -- as long as the adversary can review the third party's documents itself).

Fourth, most courts do not give opinion work product protection to a litigant's compilation of facts or documents supporting the party's position. Directory Dividends, Inc. v. SBC Commc'ns, Inc., No. 01-CV-1974, 2003 U.S. Dist. LEXIS 24296 (E.D. Pa. Dec. 31, 2003); Methode Elecs., Inc. v. Finisar Corp., 205 F.R.D. 552 (N.D. Cal. 2001); Axler v. Scientific Ecology Group, Inc., 196 F.R.D. 210, 212 (D. Mass. 2000).

- Thus, most courts do not allow a litigant to claim opinion work product in response to contention interrogatories. Carver v. Velodyne Acoustics, Inc., 202 F.R.D. 273, 274 (W.D. Wash. 2001); Primetime 24 Joint Venture v. Echostar Communications Corp., No. 98 Civ. 6738 (RMB) (MHD), 2000 U.S. Dist. LEXIS 779, at *9-10 (S.D.N.Y. Jan. 27, 2000).

- As explained below (in the discussion of "Waiver") litigants cannot refuse to comply with pretrial requirements that they identify trial exhibits, trial witnesses, etc.

c. Lawyers' Compilation of Information or Documents as Opinion Work Product (the Sporck Doctrine)

Most courts recognize that a lawyer's (or other client agent's) compilation of specific information out of a larger universe of information deserves opinion work product protection -- because the selection process reflects opinions or impressions.

- This approach is called the Sporck doctrine, based on the first case that articulated this type of opinion work product protection. Sporck v. Peil, 759 F.2d 312, 316 (3d Cir. 1985).

Courts have addressed this type of opinion work product protection in a number of settings.

First, starting with Sporck itself, some courts protect the identity of specific documents that a lawyer has asked a deponent to review before testimony.

- Other courts are not as generous. Pepsi-Cola Bottling Co. of Pittsburg, Inc. v. PEPSICO, Inc., Civ. A. No. 01-2009-KHV, 2001 U.S. Dist. LEXIS 19935, at *5-8 (D. Kan. Nov. 8, 2001).

Second, some courts apply this concept to computer databases representing a specific range of information compiled from a larger collection of data. Shipes v. BIC Corp., 154 F.R.D. 301, 309 (M.D. Ga. 1994); Santiago v. Miles, 121 F.R.D. 636, 638 (W.D.N.Y. 1988); Indiana State Bd. of Public Welfare v. Tioga Pines Living Ctr., Inc., 592 N.E.2d 1274, 1275 (Ind. Ct. App. 1992); In re Bloomfield Mfg. Co., 977 S.W.2d 389, 392 (Tex. App. 1998).

- If a database contains generic information that does not reflect a studied opinion of the data, it generally will not deserve such protection. In re Chrysler Motors Corp. Overnight Evaluation Program Litig., 860 F.2d 844, 846 (8th Cir. 1988); Portis v. City of Chicago, No. 02 C 3139, 2004 U.S. Dist. LEXIS 12640 (N.D. Ill. July 6, 2004); Hines v. Widnall, 183 F.R.D. 596, 601 (N.D. Fla. 1998); Fauteck v. Montgomery Ward & Co., 91 F.R.D. 393, 399 (N.D. Ill. 1980).

Third, some courts apply the work product doctrine to a lawyer's selection of other documents during litigation preparation. Rhone-Poulenc Rorer, Inc. v. Home Indem. Co., Civ. A. No. 88-9752, 1991 U.S. Dist. LEXIS 14791, at *27 (E.D. Pa. Oct. 9, 1991) (holding that a lawyer's selection of certain public documents represented work product because picking those documents that "would best aid in preparing and proving the case" reflected the lawyer's "thoughts and opinions"); Jaroslawicz v. Engelhard Corp., 115 F.R.D. 515, 517 (D.N.J. 1987) (protecting as opinion work product the "selection and compilation of documents by counsel in preparation for discovery or in anticipation of litigation" (internal citation omitted)).

- Other courts are not as generous. In re Grand Jury Subpoenas Dated Mar. 19 & Aug. 2, 2002, No. M 11-189, 2002 U.S. Dist. LEXIS 17079 (S.D.N.Y. Sept. 11, 2002) (explaining that the Second Circuit has acknowledged the Sporck rule, but never applied it; finding that the work product doctrine did not protect pre-existing documents collected by Akin Gump in anticipation of criminal proceedings).

The trend seems to be against broad application of the opinion work product doctrine in these and similar situations, unless the compilation clearly reflects a lawyer's opinions or impressions. Hambarian v. Comm'r, 118 T.C. 565 (T.C. 2002) (finding that the Sporck doctrine did not apply to a prosecuting attorney's selection of 10,000 pages and a petitioner's defense attorney's selection of 100,000 pages from a larger universe of documents maintained by the prosecuting attorney; explaining that "[g]iven the large volume of documents (pages) involved, there is little or no likelihood that the defense attorney's mental impressions would be discernible."); In re Sealed Case, 124 F.3d 230, 236 (D.C. Cir. 1997) (although recognizing that opinion work product was entitled to more protection, holding that "[w]here the context suggests that the lawyer has not sharply focused or weeded the materials, the ordinary Rule 26(b)(3) standard should apply"; remanding to the district court for an additional review of the materials), rev'd sub nom. Swidler & Berlin v. United States, 524 U.S. 399 (1998).

F. Use: Preserving the Work Product Protection

1. Overcoming the Work Product Protection

a. Fact Work Product

Unlike the attorney-client privilege (which is absolute if properly created and not waived), the work product doctrine provides only limited protection from disclosure. Restatement (Third) of Law Governing Lawyers § 87 cmt. d (2000); Marsh v. Safir, No. 99 Civ. 8605 (JGK) (MHD), 2000 U.S. Dist. LEXIS 5136, at *26 (S.D.N.Y. Apr. 20, 2000).

Fed. R. Civ. P. 26(b)(3) allows a party to overcome the work product protection if the party has "substantial need" for the materials and "is unable without undue hardship to obtain the substantial equivalent of the materials by other means." Fed. R. Civ. P. 26(b)(3).

- The "substantial need" test focuses on the importance of the information to the adversary's case. Madanes v. Madanes, 199 F.R.D. 135, 150 (S.D.N.Y. 2001).

- The "undue hardship" test focuses on whether the information is easily available elsewhere. Fletcher v. Union Pac. R.R., 194 F.R.D. 666, 674-75 (S.D. Cal. 2000).

As might be expected, litigants attempting to meet the "substantial need" standard for overcoming their adversary's work product protection have tried a number of theories.

(1) If a witness cannot be located or has died, courts often order disclosure of any witness interview memoranda prepared by an adversary. Trustmark Ins. Co. v. Gen. & Cologne Life Re of Am., No. 00 C 1926, 2000 U.S. Dist. LEXIS 18917, at *10-11 (N.D. Ill. Dec. 19, 2000); McMillan v. Renal Treatment Ctr., 45 Va. Cir. 395, 397-98 (Va. Cir. Ct. 1998); Larson v. McGuire, 42 Va. Cir. 40, 42 (Va. Cir. Ct. 1997).

- This argument generally does not work if the witnesses are available for interview or discovery by the adversary (because in such a circumstance the adversary usually cannot establish the necessary "undue hardship" element. Siddall v. Allstate Ins. Co., 15 F. App'x 522 (9th Cir. 2001); In re Grand Jury Proceedings, No. M-11-189, 2001 U.S. Dist. LEXIS 15646, at *74-75 (S.D.N.Y. Oct. 3, 2001).

- One court has held that a party whose tardiness forfeited the chance to seek discovery from a now-unavailable witness could not point to the witness's unavailability in seeking to overcome the work product protection covering the adversary's witness interview notes. Wsol v. Fiduciary Mgmt. Assocs., Inc., No. 99 C 1719, 1999 U.S. Dist. LEXIS 19002, at *7-8 (N.D. Ill. Dec. 6, 1999).

- Courts ordering the production of a litigant's witness interview notes under such a standard should normally allow redaction of any opinions included in the memorandum -- because they are entitled to a heightened protection.

(2) In another common situation involving a litigant's attempt to prove "substantial need" sufficient to overcome an adversary's work product claim, courts sometimes order the production of contemporaneous pictures, witness statements, etc., created immediately after the pertinent incident -- holding that such documents cannot be recreated long after the incident, when memories have faded. Coogan v. Cornet Transp. Co., 199 F.R.D. 166 (D. Md. 2001); Holton v. S&W Marine, Inc., No. 00-1427 SECTION "L" (5), 2000 U.S. Dist. LEXIS 16604, at *10 (E.D. La. Nov. 9, 2000).

(3) Courts sometimes accept other arguments advanced by litigants hoping to obtain their adversary's work product. Examples include:

- Need to obtain material to impeach an adversary's witness. Restatement (Third) of Law Governing Lawyers § 88 cmt. c (2000); Abramian v. President & Fellows of Harvard Coll., No. 93-5968-C, 2001 Mass. Super. LEXIS 598, at *15-16 (Mass. Super. Ct. Nov. 29, 2001); In re Papst Licensing GmbH Patent Litig., Civ. A. No. 99-MD-1298 Section "G" (2), 2001 U.S. Dist. LEXIS 10012, at *69-70 (E.D. La. July 12, 2001).

- Witness' lack of memory. Lawrence v. Cohn, No. 90 Civ. 2396(CSH)(MHD), 2002 U.S. Dist. LEXIS 1226 (S.D.N.Y. Jan. 24), summary judgment granted, 197 F. Supp. 2d 16 (S.D.N.Y. 2002).

- Need to obtain an adversary's translation of a document from Japanese into English, because of the burden of arranging for another translation. In re Papst Licensing GmbH Patent Litig., Civ. A. No. 99-MD-1298 Section "G" (2), 2001 U.S. Dist. LEXIS 10012, at *69-70 (E.D. La. July 12, 2001).

- Need for a client to review its former law firm's files for evidence of malpractice. Polin v. Wisehart & Koch, No. 00 Civ. 9624 (AGS)(MHD), 2002 U.S. Dist. LEXIS 9123 (S.D.N.Y. May 22, 2002).

(4) On the other hand, some courts have rejected litigants' attempts to overcome their adversary's work product protection (sometimes taking views directly opposed to the approach of other courts, identified above). Examples include:

- Need to obtain impeachment material. Dir., Office of Thrift Supervision v. Vinson & Elkins, LLP, 124 F.3d 1304, 1308 (D.C. Cir. 1997).

- Need to obtain corroborative evidence. Baker v. GMC (In re GMC), 209 F.3d 1051, 1054 (8th Cir. 2000).

- Witnesses' testimony that they do not recall the exact words they used during earlier interviews with their corporation's lawyer. In re Woolworth Corp. Sec. Class Action Litig., No. 94 Civ. 2217 (RO), 1996 Dist. LEXIS 7773 (S.D.N.Y. June 6, 1996).

- A first-party insurer's need to know "what the insurer knew at the time of the claim denial" in order to "assert both its defense and counterclaim." St. Paul Reinsurance Co. v. Commercial Fin. Corp., 197 F.R.D. 620, 632 (N.D. Iowa 2000).

- Need to obtain material to impeach an adversary's testifying doctors who were expected to provide expert testimony. Harris v. Provident Life & Accident Ins. Co., 198 F.R.D. 26 (N.D.N.Y. 2000).

- A former employee's inability to recall facts he had included in an earlier affidavit. Infosystems, Inc. v. Ceridian Corp., 197 F.R.D. 303 (E.D. Mich. 2000); Baker v. GMC, 197 F.R.D. 376 (W.D. Mo. 1999).

- An adversary's failure to answer questions at a deposition because of numerous objections and directions not to answer. Madanes v. Madanes, 199 F.R.D. 135 (S.D.N.Y. 2001).

- Witnesses' lack of memory on factual matters that are not an essential element of the requesting party's case. Madanes v. Madanes, No. 96 Civ. 6398 (LBS) (JCF), 2000 U.S. Dist. LEXIS 17330, at *4 (S.D.N.Y. Dec. 1, 2000); A.I.A. Holdings, S.A. v. Lehman Bros., No. 97 Civ. 4978 (LMM)(HBP), 2000 U.S. Dist. LEXIS 15820, at *5 (S.D.N.Y. Oct. 27, 2000).

(5) Courts also disagree about a litigant's right to obtain an adversary's computer database that took a substantial effort to create.

- Some courts have found that a party seeking such a database can meet the "substantial need" standard without trying to recreate the database itself. Nat'l Cong. for Puerto Rican Rights v. City of New York, 194 F.R.D. 105, 110 (S.D.N.Y. 2000); Smith v. Texaco, Inc., 186 F.R.D. 354, 358 (E.D. Tex. 1999); Hines v. Widnall, 183 F.R.D. 596, 600-01 (N.D. Fla. 1998); Thomas v. General Motors Corp., 174 F.R.D. 386, 389 (E.D. Tex. 1997); Cornelius v. CONRAIL, 169 F.R.D. 250, 254 (N.D.N.Y. 1996).

- Other courts have held that a party may not obtain access to the adversary's database if the party could create its own database by reviewing documents or interviewing witnesses. Maloney v. Sisters of Charity Hosp., 165 F.R.D. 26, 30-31 (W.D.N.Y. 1995); Lawyers Title Ins. Corp. v. United States Fid. & Guar. Co., 122 F.R.D. 567, 570 (N.D. Cal. 1988).

- Courts have also rejected a litigant's arguments based on an alleged: need for an adversary's computer database so that a lawyer "could better frame his discovery requests" (Lawyers Title Ins. Corp. v. United States Fid. & Guar. Co., 122 F.R.D. 457, 570 (N.D. Cal. 1988)); need to obtain an adversary's computer database to ensure that the adversary is producing all relevant documents. Lawyers Title Ins. Corp. v. United States Fid. & Guar. Co., 122 F.R.D. 457, 570 (N.D. Cal. 1988).

- Some courts ordering the production of a party's computer database to the adversary required the requesting party to pay part of the cost of creating the database (Portis v. City of Chicago, No. 02 C 3139, 2004 U.S. Dist. LEXIS 12640 (N.D. Ill. July 6, 2004); Williams v. E.I. Du Pont de Nemours & Co., 119 F.R.D. 648, 651 (W.D. Ky. 1987)), while one court was not as generous. Hines v. Widnall, 183 F.R.D. 596, 601 (N.D. Fla. 1998).

(6) Most courts find that a surveillance videotape deserves work product protection if it was prepared in anticipation of litigation and motivated by the litigation (explained above).

- Courts generally require that a party preparing such a videotape must produce it, because the party that has been videotaped cannot replicate the videotape (Evan v. Estell, 203 F.R.D. 172, 173 (M.D. Pa. 2001)), or because the party intends to use the videotape at trial. Id. at 175.

- In an unusual twist, courts recognize the obvious benefit of a secret surveillance videotape in impeaching the party being videotaped (such as a personal injury plaintiff falsely claiming serious injuries) by permitting the party making the videotape to withhold it until after that party has deposed the subject of the videotape. Bradley v. Wal-Mart Stores, Inc., 196 F.R.D. 557 (E.D. Mo. 2000); Hildebrand v. Wal-Mart Stores, Inc., 194 F.R.D. 432 (D. Conn. 2000).

b. Opinion Work Product

Fed. R. Civ. P. 26(b)(3) requires that a court "shall protect" against the disclosure of opinion work product.

Some courts apply absolute protection to opinion work product. Federal Election Comm'n v. Christian Coalition, 178 F.R.D. 61 (E.D. Va.), aff'd in part, modified in part, 178 F.R.D. 456 (E.D. Va. 1998).

- Some courts offer only "special protection." All W. Pet Supply Co. v. Hill's Pet Prods. Div., 152 F.R.D. 634, 637 n.5 (D. Kan. 1993).
- Other courts apply every variation in between these two extremes.

c. Shifting Burdens of Proof

Litigants' fight over work product often involves an elaborately choreographed shifting of burdens back and forth.

- In In re OM Group Securities Litigation, 226 F.R.D. 579, 584 (N.D. Ohio 2005), the court explained (as do most courts) that (1) the party seeking an adversary's work product must establish relevance; (2) the burden then shifts to the party withholding the work product to show that it meets the work product standards; (3) the burden then shifts back to the requesting party to show that it has "substantial need" of the materials and is unable to obtain the "substantial equivalent" without "undue hardship"; and (4) if the requesting party carries this burden, the court must nevertheless protect the protecting party lawyers' and other representatives' opinions.

If a document contains both fact and opinion work product, courts sometimes require that parts of it be produced while other parts remain protected. Restatement (Third) of Law Governing Lawyers § 89 cmt. c (2000).

G. Use: Avoiding Waiver of the Work Product Protection

1. Express Waiver

a. General Rule

Most courts hold that both the client and the lawyer may waive the work product protection. S. N. Phelps & Co. v. Circle K Corp. (In re Circle K Corp.), 199 B.R. 92, 99 (Bankr. S.D.N.Y. 1996), aff'd, No. 96 Civ. 5801 (JFK), 1997 WL 31197 (S.D.N.Y. Jan. 27, 1997).

- Interestingly, at least one court has held that the party challenging an adversary's work product assertion has the burden of proof -- in contrast to the majority view that the party asserting the attorney-client privilege has the burden of proof. Freeport-McMoran Sulphur, LLC v. Mike Mullen Energy Equip. Res., Inc., No. 03-1496 c/w 03-1664 SECTION: "A" (4), 2004 U.S. Dist. LEXIS 10048 (E.D. La. June 2, 2004).

b. Waiver Caused by Disclosing Work Product to Adversaries, or Others Who Might Share It with Adversaries

Although the attorney-client privilege is so fragile that any disclosure outside the attorney-client relationship generally waives the protection, most courts find that disclosing work product to third parties does not automatically waive that protection. Viacom, Inc. v. Sumitomo Corp. (In re Copper Mkt. Antitrust Litig.), 200 F.R.D. 213, 221 n.6 (S.D.N.Y. 2001).

Of course, disclosing work product to an adversary generally waives the work product protection.

- Because inadvertently produced documents disclosed during litigation generally fall into the adversary's hands, most courts apply the same tests (strict, liberal or fact-intensive) in determining waiver of the work product protection that they use in assessing waiver of the attorney-client privilege. Carter v. Gibbs, 909 F.2d 1450, 1451 (Fed. Cir.), cert. denied, 498 U.S. 811 (1990).

Disclosing work product to a third party other than an adversary generally causes a waiver only if the disclosure makes it likely that the work product will "fall into enemy hands" -- ending up with the adversary. Bowman v. Brush Wellman, Inc., No. 00 C 50264, 2001 U.S. Dist. LEXIS 14088, at *7 (N.D. Ill. Sept. 13, 2001); In re Doe, 662 F.2d 1073, 1081, 1082 (4th Cir. 1981), cert. denied, 455 U.S. 1000 (1982).

In essence, sharing work product with a friend or ally does not automatically waive the work product protection. Sheets v. Ins. Co. of N. Am., No. 4:04CV00058, 2005 U.S. Dist. LEXIS 27060 (W.D. Va. Nov. 8, 2005) (holding that a personal injury plaintiff did not waive the work product protection by

sharing work product with others involved in a boating accident; noting that those to whom the plaintiff disclosed the work product shared the plaintiff's interest in obtaining insurance coverage for the boating accident).

- The similarity of interests in this situation does not have to be as tight as that required for creating a "joint defense" or "common interest" arrangement (which is the only way to avoid waiving the attorney-client privilege when disclosing privileged communications to a third party).

In fact, sharing work product with a third party may or may not waive the work product protection, depending on whether the disclosure makes it more likely that the adversary will obtain access to the protected work product.

- In such situations, courts often conduct a fact-intensive analysis of this possibility. Verschoth v. Time Warner Inc., No. 00 Civ. 1339 (AGS) (JCF), 2001 U.S. Dist. LEXIS 3174, at *10 (S.D.N.Y. Mar. 22, 2001) (holding that Time Warner waived the work product protection covering information about an employment discrimination case by sharing information with a former assistant managing editor of Sports Illustrated who continued to perform freelance editing for the magazine, because the editor was a long-standing friend of the plaintiff, and "it was not reasonable to discuss with [the editor] information that may have been gathered in anticipation of that litigation and expect him not to convey it to [the plaintiff]").

Given this difference between the attorney-client privilege and work product doctrine, it makes sense to share work product only under a confidentiality agreement.

- A confidentiality agreement would not prevent waiver of the attorney-client privilege, but might demonstrate that the party disclosing work product did not increase the chance the adversary would obtain access to the work product. Blanchard v. EdgeMark Fin. Corp., 192 F.R.D. 233, 237-38 (N.D. Ill. 2000).

c. Disclosure that Waives the Attorney-Client Privilege but not the Work Product Doctrine

This difference in waiver principles between the attorney-client privilege and the work product doctrine sometimes means that sharing materials protected by both the attorney-client privilege and the work product doctrine might waive the former but not the latter. Calvin Klein Trademark Trust v. Wachner, 198 F.R.D. 53 (S.D.N.Y. 2000) (sharing information with a public relations firm); Chase v. City of Portsmouth, Civ. No. 2:05cv446, 2006 U.S. Dist. LEXIS 29294, at *20 (E.D. Va. Apr. 20, 2006) (holding that a City Attorney's letter to the City Council and others deserved privilege protection; but finding that the City had lost the privilege protection by not treating the letter carefully enough; also finding that the letter deserved work product protection, which can survive "[l]imited disclosure to third parties" and therefore continued to protect the letter)

- In one recent celebrated case, Martha Stewart was found to have waived the attorney-client privilege protection covering one of her e-mails by sharing it with her daughter, but was found not to have waived the work product protection covering the e-mail. United States v. Stewart, 287 F. Supp. 2d 461 (S.D.N.Y. 2003).

d. Selective Disclosure to Gain an Advantage

Selective disclosure of work product materials to gain some advantage generally waives the privilege. ACLARA Biosciences, Inc. v. Caliper Techs. Corp., No. C99-1968 CRB (JCS), 2000 U.S. Dist. LEXIS 10585, at *26 (N.D. Cal. June 16, 2000).

- Sharing work product during settlement negotiations can waive the protection, although not all courts agree. In re Chrysler Motors Corp. Overnight Evaluation Program Litig., 860 F.2d 844, 846-47 (8th Cir. 1988); Sparton Corp. v. United States, 44 Fed. Cl. 557, 565-66 (Fed. Cl. 1999).

Some courts are quick to find a waiver, even if a company's public disclosure does not reveal actual work product -- but rather discloses the results of corporate investigations.

- In re Royal Ahold N.V. Sec. & ERISA Litig., 230 F.R.D. 433, 436, 437 (D. Md. 2005) (finding that Royal Ahold had waived any work product protection for hundreds of witness interview memoranda prepared by outside counsel, because the company had included in its Form 20-F filing "the information obtained from the witness interviews, and the conclusions expressed in the internal investigative reports"; noting that the "public disclosure argument is consistent with the position that the driving force behind the internal investigations was not this litigation but rather the need to satisfy Royal Ahold's accountants, and thereby the SEC, financial institutions, and the investing public"; not mentioning if the filing quoted from any of the interviews or mentioned the lawyers' role, although noting elsewhere that investigative reports made available to the plaintiffs quoted from the witness interview memoranda; finding that this amounted to "testimonial use" of the "material that might otherwise be protected as work product"; explaining that "[b]y its public disclosures in the Form 20-F and the production of several of the internal reports to the plaintiffs, Royal Ahold has therefore waived the attorney-client privilege and non-opinion work product protection as to the subject matters discussed in the 20-F and the reports"; finding that the witness interview memoranda themselves do not deserve opinion work product protection, "except as to those portions Royal Ahold can specifically demonstrate would reveal counsel's mental impressions and legal theories concerning this litigation").

e. Disclosure of Work Product to the Government

Courts have wrestled with the waiver implications of companies sharing work product with the government.

- As a theoretical matter, some courts held out the possibility that sharing work product with the government did not create a waiver. In re Grand Jury Proceedings, No. M-11-188 (LAP), 2001 U.S. Dist. LEXIS 2425, at *62-63 (S.D.N.Y. Mar. 2, 2001).

- For instance, if the private party has an interest allied with the government's interest, sharing work product with the government may not waive the work product protection. In re Visa Check/Mastermoney Antitrust Litig., 190 F.R.D. 309, 314 (E.D.N.Y. 2000).

- However, a string of recent cases has held that companies always waive the work product protection by sharing work product with the government. In re Royal Ahold N.V. Sec. & ERISA Litig., 230 F.R.D. 433, 437 (D. Md. 2005) (requiring Royal Ahold to provide plaintiff 269 interview memoranda that Royal Ahold had earlier given to the SEC and to the U.S. Attorney's Office, noting that the confidentiality agreement between Royal Ahold and these governmental entities "allows substantial discretion" to the government to use or disclose the memoranda); In re CMS Energy Sec. Litig., No. 02-CV-72004 & 02-CV-72834, 2005 U.S. Dist. LEXIS 8838 (E.D. Mich. May 13, 2005) (finding that a company's sharing of an internal investigation report with various government agencies under a confidentiality agreement waives the attorney-client privilege and work product protections); In re Tyco Int'l, Inc. Multidistrict Litig., MDL Dkt. No. 02-1335-B, 2004 U.S. Dist. LEXIS 4541 (D.N.H. Mar. 19, 2004) (unpublished opinion); Spanierman Gallery v. Merritt, No. 00 Civ. 5712 (LTS)(THK), 2003 U.S. Dist. LEXIS 22141 (S.D.N.Y. Dec. 5, 2003); McKesson Corp. v. Green, 610 S.E.2d 54, (Ga. 2005); McKesson HBOC, Inc. v. Superior Court, 9 Cal. Rptr. 3d 812 (Cal. Ct. App. 2004).

- The most recent Circuit Court decision found that a company sharing work product with the government waived that protection (although it affirmed the lower court's ruling that allowed redaction of opinion work product before ordering disclosure to a private plaintiff). In re Qwest Commc'ns Int'l Inc., 450 F.3d 1179, 1187-88, 1199, 1196 (10th Cir. 2006) (assessing the waiver implications of Boies Schiller sharing with the SEC and the DOJ approximately 220,000 pages of material created or collected during Boies Schiller's internal investigation of Qwest; upholding the district court's ruling that Boies Schiller had waived the work product protection by sharing the documents with the government, though permitting Boies Schiller to redact opinion work product; finding that the First, Second, Third, Fourth and Sixth Circuits had rejected the concept of a "selective waiver," which would allow companies to share work product with the government but not force them to disclose the protected materials to private plaintiffs; noting that some circuits (including the Second, Third and D.C. Circuits) hold out some hope for selective waiver in the work product context; but rejecting any selective waiver in either the privilege or work product contexts; finding that Qwest's confidentiality agreement with the government did little to restrict the agencies' use of the materials they received from Qwest; rejecting Qwest's and ACC's argument that companies now litigate in a "culture of waiver" that discourages corporations' cooperation with the government; noting that Qwest itself "hedged its bets by choosing to release 220,000 pages of documents [to the government] but to retain another 390,000 pages of privileged documents"; concluding that "Qwest perceived an obvious benefit from its disclosures but did so while weighing the risk of waiver").

- A few recent cases have taken the opposite approach, but it is too early to tell if these cases are an aberration or represent a new trend. In re McKesson HBOC, Inc. Sec. Litig., Nos. C-99-20743 RMW & C-00-20030 RMW, 2005 U.S. Dist. LEXIS 7098 (N.D. Cal. Mar. 31, 2005); In re National Gas Commodity Litig., No. 03 Civ 6186 (VM) (AJP), 2005 U.S. Dist. LEXIS 11950 (S.D.N.Y. June 21, 2005).

- One court has held that sharing work product with the government waives the protection applicable to fact work product, but not opinion work product. In re Martin Marietta Corp., 856 F.2d 619, 625 (4th Cir. 1988), cert. denied, 490 U.S. 1011 (1989).

- Given this uncertainty, companies should never assume that they can share work product with the government without waiving that protection.

f. Disclosure of Work Product to Outside Auditors

Courts have also dealt with the waiver implications of sharing protected work product with outside auditors.

- Several earlier cases had indicated that company might be able to share work product with their auditors without waiving the work product protection -- because the outside auditors were not the company's adversaries. In re Pfizer Inc. Sec. Litig., No. 90 Civ. 1260(SS), 1993 U.S. Dist. LEXIS 18215, at *22-23 (S.D.N.Y. Dec. 22, 1993); Gramm v. Horsehead Indus., Inc., No. 87 Civ. 5122(MJL), 1990 U.S. Dist LEXIS 773, at *16 (S.D.N.Y. Jan. 25, 1990).

- One post-Enron case held that a company sharing work product with its outside auditor waived the work product protection. Medinol, Ltd. v. Boston Scientific Corp., 214 F.R.D. 113 (S.D.N.Y. 2002).

- A later case took the opposite position -- finding that a company sharing work product with its outside auditor did not waive the work product

protection. Merrill Lynch & Co. v. Allegheny Energy, Inc., 229 F.R.D. 441, 444, 447, 448, 449 (S.D.N.Y. 2004) (acknowledging that the earlier Medinol decision took the opposite approach, but finding that Merrill Lynch did not have a "tangible adversarial relationship" with its auditor Deloitte & Touche, so that Merrill Lynch had not waived the work product protection covering an internal investigation report by sharing that report with Deloitte & Touche; noting that Deloitte & Touche concluded that the report "did not impact [Deloitte's] audit work or Merrill Lynch's financial statements"; pointing to Deloitte's "ethical and professional obligation" to maintain the confidentiality of materials received from Merrill Lynch; concluding that finding a waiver of the work product protection in such circumstances "could very well discourage corporations from conducting a critical self-analysis and sharing the fruits of such an inquiry with the appropriate actors").

- In an analogous situation, another Southern District of New York decision declined to follow Medinol, and instead held that a company did not waive the opinion work product protection by sharing the opinion work product with an actuary (who used the report in preparing filings with the New York Insurance Department). Am. S.S. Owners Mut. Prot. & Indem. Ass'n, No. 04 Civ. 4309 (LAK) (JCF), 2006 U.S. Dist. LEXIS 4265 (S.D.N.Y. Feb. 2, 2006).

- The most recent Southern District of New York decision took the same approach, meaning that the last three decisions from that important court found that a company sharing work product with an outside auditor did not waive that protection. International Design Concepts, Inc. v. Saks Inc., No. 05 Civ. 4754 (PKC), 2006 U.S. Dist. LEXIS 36695, at *8-9 (S.D.N.Y. June 5, 2006) (holding that Saks did not waive the work product protection covering an internal investigation report prepared by Wilmer Hale by disclosing the report to Saks' outside auditor PWC; "[A]llowing the outside auditor, retained by the client, to know the content of the attorney's confidential threat assessment does not, in this Court's view, destroy the protection. . . . Here, I conclude that the report is protected because it contains the attorney's mental impressions and professional judgments concerning the magnitude, scope and/or likely merits of the claims, was prepared in contemplation of actual and potential litigations or claims, was created in reliance upon the attorney work product protection and was communicated to the client's auditor under a strict pledge of confidentiality for a valid purpose that serves the interest of the client.").

This new debate has caused great concern to in-house lawyers, who find themselves pressured by outside auditors to disclose litigation-related analyses, litigation outcome predictions, etc. -- yet justifiably worry about waiving the work product protection that would otherwise entitle the companies to withhold such documents from the private plaintiffs against whom they are litigating.

g. Disclosure of Work Product to Non-Testifying Experts

As explained above, specially retained litigation-related non-testifying experts are subject to discovery only under "exceptional circumstances." Fed. R. Civ. P. 26(b)(4)(B).

- This very narrow discovery standard generally allows the sharing of work product (even opinion work product) with a non-testifying expert without fear of waiver.

h. Disclosure of Work Product to Testifying Experts

Courts have always recognized that fact work product provided to a testifying expert may be discovered by the adversary.

The key uncertainly involves the discoverability of opinion work product (a distinction discussed above) that a lawyer or client shares with a testifying expert.

- The work product rule clearly provides heightened protection from discovery for opinion work product (discussed above).

- However, the rules also permit discovery (to one extent or another) of a testifying expert.

- Moreover, simple fairness might indicate that a litigant should be entitled to explore all of the information that has been provided to the adversary's testifying expert.

Before 1993, federal courts debated whether opinion work product shared with a testifying expert was subject to discovery -- the majority of federal courts answered "yes."

A 1993 amendment to the Federal Rules now requires that testifying experts disclose "the data or other information considered by the witness in forming the opinions." Fed. R. Civ. P. 26(a)(2)(B) (emphasis added).

- A vast majority of federal courts hold that this disclosure requirement trumps the heightened protection provided to opinion work product. Karn v. Ingersoll Rand Co., 168 F.R.D. 633, 635-36 (N.D. Ind. 1996); Lamonds v. Gen. Motors Corp., 180 F.R.D. 302 (W.D. Va. 1998).

Under this approach, the only grounds for withholding from discovery any opinion work product shared with the testifying expert is that the expert did not review the material. Constr. Indus. Servs. Corp. v. Hanover Ins. Co., 206 F.R.D. 43 (E.D.N.Y. 2002).

- However, a litigant relying on this exception must clearly establish that the testifying expert never reviewed the material. Tri-State Outdoor Media Group, Inc. v. Official Comm. of Unsecured Creditors to Tri-State Outdoor Media Group, Inc., 283 B.R. 358, 365 (Bankr. M.D. Ga. 2002).

Some states did not change their rules to match the 1993 Federal Rules change -- so the situation in those states is much like the pre-1993 situation under the Federal Rules.

- Crowe Countryside Realty Assocs., Co. v. Novare Eng'rs, Inc., 891 A.2d 838 (R.I. 2006) (holding that under Rhode Island law sharing opinion work product with a testifying expert did not cause a waiver); Helton v. Kincaid, 2005 Ohio 2794, at ¶ 16 (Ohio Ct. App. 2005) (noting the debate, and concluding that "we agree with those courts who have determined that work product does not lose its protected status simply because it is disseminated to an expert").

- Litigants in states which did not change their rules might face differing standards in Federal court and state court.

2. Implied Waiver

Most courts apply the implied waiver doctrine to work product, meaning that taking certain positions can waive the work product protection.

- Examples include: relying on advice of counsel (Brennan v. Western Nat'l Mut. Ins. Co., 199 F.R.D. 660 (D.S.D. 2001)); putting a lawyer's advice "at issue" (Cooney v. Booth, 198 F.R.D. 62 (E.D. Pa. 2000)); placing a lawyer's agent's mental state "at issue" (Tribune Co. v. Purcigliotti, No. 93CIV.7222 LAP THK, 1997 WL 10924, at *7-8 (S.D.N.Y. Jan. 10, 1997)); relying on the fact of an investigation of a sexual harassment charge as a defense to the allegations (Harding v. Dana Transp., Inc., 914 F. Supp. 1084 (D.N.J. 1996)); listing a lawyer as a factual or expert witness (Sorenson v. H&R Block, Inc., 197 F.R.D. 206 (D. Mass. 2000)); asserting a "qualified immunity" affirmative defense (Mitzner v. Sobol, 136 F.R.D. 359, 362-63 (S.D.N.Y. 1991)); taking positions in a bad faith insurance case that implicate a lawyer's activities (Charlotte Motor Speedway, Inc. v. Int'l Ins. Co., 125 F.R.D. 127 (M.D.N.C. 1989)); asserting a defense based on the adequacy of an investigation (Jones v. Scientific Colors, Inc., Nos. 99 C 1959 & 00 C 1071, 2001 U.S. Dist. LEXIS 10633 (N.D. Ill. July 9, 2001)); arguing ignorance of a claim that would start the statute of limitations running (Axler v. Scientific Ecology Group, Inc., 196 F.R.D. 210 (D. Mass. 2000)); suing a former lawyer for malpractice (thus waiving the opinion work product that would otherwise cover successor counsel's work) (Rutgard v. Haynes, 185 F.R.D. 596, 601 (S.D. Cal. 1999)); seeking attorney fees. Tonti Props. v. Sherwin-Williams Co., No. 99-892 Section "E" (2), 2000 U.S. Dist. LEXIS 5748, at *6-7 (E.D. La. Apr. 26, 2000).

- A recent case took a very broad and troubling view of this issue. In re Royal Ahold N.V. Sec. & ERISA Litig., 230 F.R.D. 433, 437, 438 (D. Md. 2005) (finding that Royal Ahold had waived the work product doctrine covering witness interview memoranda by disclosing "information obtained from the witness interviews" to: (1) "the public in [Royal Ahold's] Form 20-F filing with the SEC"; and (2) to the plaintiffs by giving them some of the reports; explaining that "to the extent that Royal Ahold offensively has disclosed information pertaining to its internal investigation in order to improve its position with investors, financial institutions, and the regulatory agencies, it also implicitly has waived its right to assert work product privilege as to the underlying memoranda supporting its disclosures"; ordering the company to produce all interview memoranda "containing factual information underlying the public disclosures, including the 20-F and the investigative reports provided to plaintiffs" -- "unless a specific showing of opinion work product can be made to the court").

3. Subject Matter Waiver

As explained above, many differences between the work product doctrine and the attorney-client privilege reflect themselves in differing rules governing such important matters as the level of protection and waiver.

- These differences are also reflected in the doctrine of subject matter waiver.

Some courts find that waiver of the work product protection results in a subject matter waiver, while others do not. Chiron Corp. v. Genentech, Inc., 179 F. Supp. 2d 1182 (E.D. Cal. 2001); In re Pioneer Hi-Bred Int'l, Inc., 238 F.3d 1370 (Fed. Cir. 2001).

4. Inapplicability of the Work Product Doctrine to Trial Documents

Whether analyzed under the work product doctrine's applicability ab inito or as an implied waiver issue, it is obvious that the work product doctrine does not protect the identity of documents that a litigant intends to use at trial -- such as a list of intended exhibits. Northup v. Acken, 865 So. 2d 1267 (Fla. 2004).

- If an adversary requests such information early in the pre-trial process, perhaps a timing objection would be appropriate -- but a litigant cannot refuse to comply with mandated pre-trial disclosures by arguing that the selection of exhibits reflects opinion work product.

- Only one court seems to have taken this concept to the logical extreme, prohibiting a litigant from putting on evidence at trial if the litigant claimed some protection in refusing to provide the evidence during discovery. Arthrocare Corp. v. Smith & Nephew, Inc., 310 F. Supp. 2d 638 (D. Del. 2004).

5. Efforts to Change the Harsh Waiver Rules

At the end of the section on attorney-client privilege waiver (above), this outline addresses recent efforts to avoid the current harsh waiver rules.

- Most of these efforts would also reduce or eliminate the waiver effect of intentionally sharing work product with the government or inadvertently producing work product during litigation.

- Although sharing work product does not automatically cause a waive of that protection, the changes discussed above apply in contexts in which the disclosure would normally waive both the work product protection and the attorney-client privilege (disclosing work product to an adversary -- an investigating governmental agency or a litigation adversary seeking the production of documents).

Attorney-Client Privilege Across the Globe

By W. Joseph Thesing and Amanda Kim[1]

Summarizing the essential points of attorney-client (or "solicitor-client") privilege across the globe is a daunting task, and these materials fall far short of being a definitive treatise on the subject. The information provided herein is intended as an initial overview for in-house counsel considering the impact of attorney-client privilege protections on the confidentiality and protection of cross-border communications involving legal counsel. Counsel addressing these issues in complex matters with significant potential financial impact should use these materials as a primer but then seek further advice in the local jurisdiction(s) at issue.

I. Across the Atlantic

In all the member states of the European Community, the law protects to some extent information communicated in confidence to a lawyer/solicitor by his client. However, member states differ in the methods by which this protection is achieved and the scope of the protection. In some states legal duties are expressly imposed upon the lawyer and corresponding rights are expressly conferred. In other states, protection is achieved by the creation of "privileges" or exemptions from the ordinary rules of law. The nature and extent of these rights, duties, privileges, and exemptions, vary from state to state. Civil law jurisdictions generally apply a narrower view of the privilege than their common law counterparts.

A. United Kingdom and Ireland

Privilege doctrines in common law countries such as the United Kingdom and Ireland closely resemble the United States approach. As in the United States, the concept of legal privilege in these countries was developed mainly by reference to the discovery process in civil cases.

In the United Kingdom, there are two types of legal professional privilege: legal advice privilege and the litigation privilege.

Under the U.K. legal advice doctrine, privilege attaches to all communications between persons and solicitors that are made in confidence and for the purpose of giving or receiving legal advice.[2] Such privilege belongs to the client and thus confidential communications cannot be disclosed without client consent.[3] The legal advice privilege applies irrespective of whether litigation was contemplated or pending at the time the document came into existence. The lawyer's duty of confidentiality is a professional and contractual duty to his client.

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[2] "Attorney-Client Privilege in Foreign and International Law" Feb. 2006 <www.abanet.org/intlaw/intattorneyclient.doc>

[3] Id.

The U.K. litigation privilege resembles the work product doctrine of the U.S. in that it applies to communications between a solicitor (or his agent) and any other person, made after litigation was contemplated (or such communication commenced with a view to such litigation), for the purpose of obtaining or giving advice, obtaining or collecting evidence, or obtaining information which may lead to such evidence. The litigation privilege is wider in scope than the legal advice privilege, and it protects all documents produced for the sole or dominant purpose of the litigation, including following communications: a) solicitor to/from client; b) solicitor to/from non-professional agent; or c) solicitor from third party.

In the U.K. and Ireland, communication of in-house lawyers may fall within the legal advice privilege, provided that they are sufficiently independent. In general, such independence is demonstrated where the in-house lawyer is admitted as a barrister or solicitor and holding a current practicing certificate. However, as in the United States, communications with in-house lawyers will not attract privilege where the in-house lawyer serves in a commercial/business role.

Three Rivers of District Council and Others v. Governor & Company of the Bank of England [2003] EWCA Civ 474, was a landmark case in the United Kingdom, in which the Court of Appeal interpreted the scope of legal advice privilege. The court took a narrow view of what communications the legal advice privilege could protect. The court held that communications could only attract legal advice privilege if made for the purpose of giving or receiving legal advice. Stated differently, this meant only advice on a party's legal rights and obligations. The Court held that presentational advice given by solicitors on how a party should present to an investigatory body could not be protected by the privilege.

The decision in *Three Rivers*, however, was subsequently overturned by the House of Lords in November 2004 in their decision of *Three Rivers District Council and others v. Governor and Company of the Bank of England* [2004] UKHL 48. Rejecting the Court of Appeal's restrictive approach, the Lords established that, provided a solicitor has been instructed to act in a relevant legal context, any confidential communication between client and lawyer directly related to the performance of the lawyer's duties should be protected, not just those communications containing advice on the law or legal rights and obligations. Accordingly, the Lords held that "presentational" advice from a solicitor should be privileged. The Lords reasoned that solicitors rendering advice so that clients might arrange their affairs in an orderly way strongly served the public interest. To render such advice, the advising solicitor must obtain full and complete facts, and ensuring confidentiality of communications allows such full and complete disclosure.

The House of Lords declined to address the issue of who should be considered the client. The Court of Appeal had held that only the internal body of the Bank that had been set up to deal with communications between the bank and the Bingham Inquiry should be considered as the client. Any other bank employees or ex-employees were treated as independent third parties and their communications with the solicitor therefore were not protected by the legal advice privilege. The House of Lords did not decide this issue, therefore the Court of Appeal's decision as to the identity of the client stands as precedent. (See discussion of U.S. Upjohn decision below.)

B. Continental Europe

Civil law jurisdictions of Continental Europe, unlike common law jurisdictions, do not recognize a formal process of disclosure of documents. Consequently, even without an evidentiary privilege expressly applying to attorney-client communications, there is less practical likelihood of disclosure of written communications. In civil law jurisdictions, the relationship between a lawyer and his client is protected by the law of the professional secret which prohibits a professional who is subject to a confidentiality obligation from divulging information obtained by him from his client. Generally, the obligation of secrecy is imposed not only upon lawyers, but upon any person who, by reason of his office, status or profession, may become the recipient of another person's secret.

The primary source of law in these jurisdictions is an Article of the Penal Code, which provides that it is an offense (punishable by imprisonment or a fine or both) to reveal another person's secret.[4] This provision of the Penal Code is the source of the lawyer's duty. The duty of the lawyer carries with its corresponding rights, in particular- i)the right to refuse to give evidence on matters covered by the professional secret, and ii) the right to withhold from seizure by the police and judicial authorities any document which contains information covered by the professional secret.[5] These rights are in some cases expressly conferred by the Codes of Criminal and/or Civil Procedure.

The law of the professional secret only protects information communicated *to* the lawyer.[6] It does not protect advice or information communicated *by* the lawyer to his client, since the law of the professional secret is only concerned with the duties and corresponding rights of the person to whom a secret has been communicated.[7] Communications by the lawyer to the accused are protected in part of the law relating to "the rights of the defense" (i.e. the guarantee of a fair trial) rather than the law of the professionals secret.[8]

In most civil law jurisdictions, the set of professional codes and standards applied to in-house lawyers differ from those applied to their counterparts "at the bar." Although many in-house counsel are still bound to keep the confidences of their clients, many civil law jurisdictions do not recognize an evidentiary privilege for in-house counsel. Accordingly, in such jurisdictions, if testimony or document are sought from in-house counsel in litigation or taken in a "dawn raid" by regulatory authorities, including with respect to communications with their clients, they are required to comply and provide such evidence.

Countries in Continental Europe that recognize legal privilege for in-house counsel include Belgium, Germany, Spain, Denmark, Netherlands, Portugal and Greece. On the other hand, Italy, France, Finland, Luxembourg, Sweden, Czech

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[4] Edward, D.A.O. "The Professional Secret, Confidentiality, and Legal Professional Privilege in the Nine Member States of the European Community" 1976.
[5] Id.
[6] Id.
[7] Id.

[8] Id.

Republic, and Switzerland have not extended legal privileges to them, distinguishing in-house counsel from their counterparts at the bar.

The following is a skeletal overview of the law of the professional secret as applied to attorneys/solicitors in selected European jurisdictions: the specific provisions, what they protect, exceptions, and their application to in-house counsel.

1. France

In France, the relationship between a lawyer (*avocat*, admitted to the local bar) and his client is protected by professional confidentiality obligations provided in *articles 226-13, New Criminal Code*, which prohibits a professional who is subject to a confidentiality obligation from divulging information obtained by him from his client. In addition, any material written by a lawyer in relation to a matter handled on behalf of a client, correspondence between a lawyer and a client, and correspondence between a lawyer and his opposing lawyers in relation to the matter, is protected by professional confidentiality unless there is express indication to the contrary (*articles 66-5, Law of 31 December 1971)*. A client cannot release his lawyer from his obligation to keep these documents confidential but is not himself bound by this confidentiality obligation.[9]

The duty to preserve the professional secret is general and absolute even where the facts are capable of being known. There is no law which permits or requires disclosure of a professional secret, even where the lawyer is called upon to give evidence in legal proceedings. There are, however, some exceptions to this rule. Lawyers may reveal a secret when this is strictly necessary to protect the lawyer against an unjustified accusation.[10] The lawyer also cannot assert professional secrecy when he uses it for illegal purposes.[11] Finally, the court may require a witness to answer a question, even where he has claimed the protection of the professional secret, if the question is precise and relates to information which could not in any circumstances be considered as covered by the professional secret.[12]

Contrary to common law, which provides that in-house lawyers ("juristes d'entreprise") enjoy the same status as private practitioners ("avocats"), French law still considers these two professions as totally separate.[13] As only lawyers are covered by a strict code of professional conduct, legal privilege is not extended to communications between in-house counsel and employees, officers or directors of a company even if the purpose is to obtain legal opinions on subjects related to their work. Therefore, an in-house counsel can neither resist an investigation by public authorities (either EU or national public authorities), nor refuse a domiciliary visit in the business premises, nor oppose a seizure related to evidence. For example, French or EU trade Administrations for an inquiry into unfair trading practice may use internal legal department memos against the company.[14] In addition, unlike external counsel, in-house counsel can be called to testify or to provide evidence against the company they work for.

2. Germany

§ 43a (2) BRAO (*Bundesrechtsanwaltordnung* "German Lawyers Act") and § 2 BORA (*Berufsordnung für Rechtsanwälte* "Regulations concerning the Legal Profession") provide a duty for attorneys and in-house counsel to observe confidentiality in regard to all information received from their clients.[15] A breach of that confidentiality obligation is a criminal offense punishable by imprisonment for not more than one year or a fine.[16] Note that an in-house counsel who is not permitted to practice as an attorney (legal officer) has no more rights to secrecy than any other third party.

In civil cases, attorneys and in-house counsel acting in their capacity as legal advisors are entitled to refuse to give evidence on any information provided to them while performing such services. Personnel assisting the in-house counsel in the performance of legal work are also protected, but it remains an open question whether counsel admitted to practice outside Germany may fall within this protection while collaborating with attorneys registered to practice in Germany.[17] The privilege does not protect information obtained while in-house counsel is performing business management or similar duties.[18]

In Germany, what is protected is a 'secret' (Geheimnis), which has been confided to a lawyer or "which has otherwise become known to him." It is therefore immaterial who the author of the secret is, provided that it is a "secret" which has come to his knowledge in his professional capacity.[19] Correspondence between lawyers is not treated as confidential unless it is expressly marked "confidential" or "without prejudice."[20] This rule is principally different from other countries such as France, Belgium, Luxembourg, Italy, and the Netherlands, where correspondence between lawyers is treated as an extension of the confidential oral discussions which take place between lawyers in the law courts.

In Germany, it is commonly acknowledged that an in-house counsel acting in his capacity as his employer's legal adviser can have the right to refuse to give evidence of information obtained from his employer, its directors, employees or agents in civil and criminal cases if (i) the in-house counsel is permitted to practice as an attorney in Germany and (ii) the information is obtained in the course of

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[9] Lex Mundi, "Attorney-Client Privilege by Country" <http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/France.pdf>

[10] Council of the Bars and Law Societies of the European Union, "The Professional Secret, Confidentiality and Legal Professional Privilege in Europe" (an update on the Report by D.A.O. Edward, Q.C.) 2003. <http://www.ccbe.org/doc/En/update_edwards_report_en.pdf>

[11] Id.

[12] Edward, D.A.O. "The Professional Secret, Confidentiality, and Legal Professional Privilege in the Nine Member States of the European Community" 1976.

[13] Lex Mundi, "Attorney-Client Privilege by Country" <http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/France.pdf>

[14] Lex Mundi, "Attorney-Client Privilege by Country" <http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/France.pdf>

[15] Lex Mundi, "Attorney-Client Privilege by Country" <http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Germany.pdf>

[16] Id.

[17] Id.

[18] Id.

[19] Edward, D.A.O. "The Professional Secret, Confidentiality, and Legal Professional Privilege in the Nine Member States of the European Community" 1976.

[20] Edward, D.A.O. "The Professional Secret, Confidentiality, and Legal Professional Privilege in the Nine Member States of the European Community" 1976.

providing legal advice and not in the course of management, controlling, accounting or similar services.[21] Therefore, in-house counsel should keep separate files for affairs where he provides legal services and for all other affairs.[22]

3. Italy

Attorneys in Italy are protected against being required to give evidence in criminal and civil cases. However, the roles of in-house counsel and outside attorneys are technically distinct. In fact, attorneys who have been practicing as attorneys in a law firm but are subsequently hired by a company to serve in-house must quit the Bar Association.[23] If requested to testify before a Court, an in-house legal counsel, as any other employee, must testify and will not have not have the right to be exempted under the attorney-client privilege rules.

4. Belgium

Article 458 of the Belgian Criminal Code provides the legal basis for the protection of professional secrecy: those entrusted with a duty of confidence by status of profession, such as lawyers and doctors, cannot reveal confidential information except where they are called to give evidence in legal proceedings or where the law requires them to disclose the information in question.

Belgian law recognizes privilege for opinions by in-house counsel who are members of and subject to the disciplinary rules of the Institut des Juristes d'entreprise. The profession of "in-house counsel" is regulated in Belgium by the law of March 1, 2000, creating the Institut des Juristes d'entreprise / Instituut voor Bedrijfsjuristen. In order to become a Juriste d'entreprise / Bedrijfsjurist, the candidate must, amongst others, be registered with the Institut / Instituut.[24]

These in-house counsel are the only ones entitled to bear the title of "Juriste d'entreprise /Bedrijfsjurist." Article 5 of the law of March 1, 2000, as commented by the ethical rules issued by the Institute, provides that all correspondence between a client and a Juriste d'entreprise/Bedrijfsjurist containing or seeking legal opinion is confidential.[25] Therefore, if a manager asks his/her Juristed'entreprise / Bedrijfsjurist a legal opinion, both the correspondence seeking and containing the legal opinion will be confidential.

5. Denmark

The Danish Administration of Justice Act and the Danish Penal Code set out provisions applying the attorney-client privilege to all "qualified attorneys" whether in private practice or in-house.[26] A "Qualified Attorney" in Denmark has obtained a formal practicing certificate from the Ministry of Justice on the basis of having fulfilled certain requirements.[27]

The main legal rule on attorneys' duty to give evidence in legal proceedings is section 170 of the Danish Administration of Justice Act according to which evidence cannot be demanded from attorneys regarding matters communicated to them in the course of carrying on their profession, if the party who has a right to confidentiality does not want this.[28] The court may, however, order attorneys (apart from defense counsel in criminal cases) to give evidence, when the evidence is deemed decisive for the outcome of the case, and the nature of the case and its importance to the party in question or society is considered to justify such evidence being given.[29] The essential difference between Danish law and the law of the other European states appears to be that the following subjective tests apply when determining whether an attorney must testify: i) Is the evidence decisive for the outcome of the case? And ii) Is it important to the party concerned or to society? iii) Does the maintenance of secrecy have essential importance?[30]

6. The Netherlands

Article 843a sub 3 and article 165 sub 2b, Dutch Act on Procedure in Civil Matters provide that those entrusted with a duty of confidence by status or by profession (such as priests, doctors, lawyers, and notaries) cannot be forced to reveal confidential information. This right to legal privilege only relates to information revealed to lawyers in their professional capacity. Lawyer-client communications held at the client's office are protected from seizure by regulatory or other investigative bodies.

The provisions of Penal Code are limited in that an offense is only committed if a professional secret is revealed deliberately. A lawyer may reveal a secret in order to protect himself against an unjustified accusation.

In-house counsel who have taken the bar exam have the same privilege protections as those in private practice. In addition, Dutch competition law specifically recognizes the privilege for in-house counsel.

The Netherlands differ from France, Belgium, and Luxembourg in that the relationship between a lawyer and the opposing party or a third party is not treated as being per se a relationship of confidence.[31] Information communicated to a lawyer by an opposing party or a third party is therefore not, in principle, protected, except where it has been revealed to him within a separate client relationship.[32] Correspondence between Dutch lawyers is confidential in nature and cannot be used in court, except where the client's interests require this.[33] However, even in such a case, the prior consent of the other party or the president of the local bar is required.

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[21] Lex Mundi, "Attorney-Client Privilege by Country" <http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Germany.pdf>
[22] Lex Mundi, "Attorney-Client Privilege by Country" <http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Germany.pdf>
[23] Lex Mundi, "Attorney-Client Privilege by Country" <http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Italy.pdf>
[24] Lex Mundi, "Attorney-Client Privilege by Country" <http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Belgium.pdf>
[25] Id.
[26] Lex Mundi, "Attorney-Client Privilege by Country" <http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Denmark.pdf>
[27] Id.
[28] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Denmark.pdf
[29] Edward, D.A.O. "The Professional Secret, Confidentiality, and Legal Professional Privilege in the Nine Member States of the European Community" 1976.
[30] Id.
[31] Id.
[32] European Company Lawyers Association, "In-house Counsel Legal Privilege Needed with Modernization of EC Competition Law" 5/30/2006 <http://ecla.org/pages/mpd-comp-law-html>
[33] Id.

7. European Union

In 2004, the EU's modernized competition regime took effect, devolving responsibility for enforcing competition law Article 81 and 82 of the European Commission Treaty from the European Commission to National Competition Authorities (NCA's) and courts in the EU member states. Under the new regime, parties will no longer be able to receive advance approval of agreements and will have limited potential for obtaining informal guidance from the Commission. Accordingly, parties will need to exercise greater care in entering into agreements and will need to take more extensive advice from legal counsel. This raises the issue of protecting both the request and advice with legal professional privilege.

The principles governing legal privileges have largely been developed through the case law of the European Court of Justice. The case of AM&S Europe v Commission, 1982 ECR 1575 established the principle that Regulation 17, which sets out rules implementing Articles 81 and 82, must be interpreted as protecting the confidentiality of written communications between lawyer and client. The court, however, ruled that this principle does not apply to in-house counsel as the communications must emanate from independent lawyers established within the EU. This provoked a debate which has waged ever since, reaching a climax with the issuance of the European Commission's White Paper on proposals for modernization of Articles 81 and 82 of the Treaty of Rome.

In the case of Akzo Nobel Chemicals and Akcros Chemicals (Rs. T-125/03 R and T-253/03 R), the Court of First Instance expressed doubts for the first time as to whether the existing position on in-house counsel' privilege could be sustained. ECLA (European Company Lawyers' Association), the proponent of in-house counsel privileges, argued that changes have occurred in Member State laws since 1982 and now a majority of Member States recognize privilege for properly qualified in-house counsel subject to ethical rules and disciplinary proceedings. Recognizing the merits in these arguments, the President of the Court of First Instance gave an interim order in the Akzo/Akcros case finding that arguments for in-house counsel privilege deserve further attention in the main proceedings notwithstanding the 1982 AM&S ruling. This order however was subsequently appealed to the President of the ECJ who ruled that an order should not be granted because the condition of urgency was not satisfied. Although ECJ decisions are not binding, they are widely respected and observed and the ECJ decision here weakens privilege by failing to grant companies any way to assert it. The final decision in the case from the Court of First Instance has not yet been issued.

North America

1. United States

United States jurisdictions recognize two types of legal professional privileges: the attorney-client privilege and the work product doctrine.

The attorney client privilege protects confidential communications between an attorney and his client that are made in the course of legal representation for the purpose of providing legal advice to the client by the attorney. This privilege is recognized under the laws of individual states and as a matter of federal common law. The parameters of the attorney-client privilege in federal court were fully set forth in *United States v. United Shoe Machinery Corp.*, 89 F. Supp. 357 (D. Mass. 1950), in which the court stated that:

> the privilege applies only if (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of the bar of a court, or his subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion of law or (ii) legal services or (iii) assistance in some legal proceedings, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client.

As in the U.K., the privilege belongs to the client and therefore, the claim of privilege must be made by or on behalf of the client. Courts have held that the privilege remains after the death of the client. The client may expressly waive the privilege and allow for disclosure of privileged communications through the civil litigation discovery process. In addition, there are a number of procedural mistakes that can lead to implied waiver of the attorney-client privilege. Ordinarily, the privilege is waived by the failure to assert it when a question is asked about a confidential communication. Voluntary production of a document during discovery or trial can also waive an objection based on the privilege.

Documents should explicitly state that they request a legal opinion in order to avoid any doubt about the privileged nature of the communication. The privilege protects legal advice and factual information communicated for the purpose of securing and rendering legal advice. The privilege does not protect the underlying facts, general legal discussions, business or other non-legal advice. Contrary to the belief of some business executives, information or materials disclosed elsewhere do not become exempt from disclosure merely by communicating them to an attorney.

While often called an absolute privilege, the attorney-client privilege is subject in every jurisdiction to exceptions for which the privilege may not be asserted. One critical exception is the crime/fraud exception which applies in situations where the services of the lawyer are sought to enable anyone to commit crime/fraud.

Probably the most significant issue for in-house counsel attempting to maximize the protections of the attorney-client privilege is the question, "who is the client?" in the corporate context. On that issue, courts have adopted and applied two general tests: 1) the control group test and 2) the subject matter test. The control group test is narrow in scope, providing the protection of the attorney-client privilege *only* to the communications of the top management. Communications made by low level employees will not be privileged even though such employees frequently possess information that may be vital to a corporation's management when the management of the corporation is seeking legal advice.

In *Upjohn Co. v. United States,* 449 U.S. 383 (1981), the United States Supreme Court rejected the "control group" test and held that the attorney-client privilege protected communications between corporate counsel and lower level corporate employees under certain circumstances. This is now referred to as the

"subject matter" test and is employed in federal courts in non-diversity cases. The subject matter test holds that the privilege attaches only when (i) the communication is made for the purpose of giving or receiving legal advice; (ii) the employee who is communicating with the attorney is doing so at the direction of a superior; (iii) the direction is given by the superior to obtain legal advice for the corporation; (iv) the subject matter of the communication is with the scope of the employee's duties; and (v) the communication is not disseminated beyond those persons who need to know.

Some states still apply the "control group" test to define the officer and employee group with whom attorney communications may be maintained as privileged on behalf of the corporation. For example, Illinois and Texas follow this approach. See National Tank Co. v. Brotherton, 851 S.W.2d 193 (Tex. 1993) and Consolidation Coal Co. v. Bucyrus-Erie Co., 432 N.E.2d 250 (Ill. 1982). In Consolidation Coal, the Illinois Supreme Court held the corporate attorney-client privilege applies to attorney communications with those who had the ability to make a final decision on the matter in question, or those without whose opinion a final decision would not ordinarily be made. Consolidated Coal, 432 N.E.2d at 257-58. The court stated the narrower control group test strikes a reasonable balance by protecting consultations with counsel by those who are the decision makers or who substantially influence corporate decisions, and by minimizing the amount of relevant factual material which is immune from discovery. Id. at 257. On this point, the approach by the courts in Illinois and Texas resembles the approach of the U.K. Court of Appeal in *Three Rivers*.

In the US, attorney/client privilege can apply to communications to third parties if the purpose of the communication to the third party is to help the attorney to provide legal advice to the client. For example, where an investigator or financial adviser is hired by an attorney to assist the attorney, the communications to and from investigator or adviser would be protected.

The work product doctrine protects documents and tangible things prepared in anticipation of litigation by an attorney or an attorney's agent. Although the work product doctrine is broader than the attorney-client privilege, courts will order disclosure of work product-protected materials if the party seeking disclosure shows substantial need to obtain the documents and an inability to obtain the substantial equivalent by other means without undue hardship. See Fed.R.Civ.P 26(b)(3). The attorney-client privilege, on the other hand, is virtually inviolate once invoked. Thus, attorneys seeking the most assured level of protection for client communications/documents should structure the communications to establish that the attorney-client privilege applies.

Although every court in the United States recognizes that in-house counsel qualify for the privilege, the standards as they have been applied to claims of privilege by in-house counsel are frequently more exacting. Because in-house counsel may play a dual role of legal advisor and business advisor, the privilege applies only if the communication's purpose is to gain or provide legal assistance. In-house counsel serving in a business management capacity can not be assured that the privilege will apply to their documents and communications.

2. Canada[34]

Privilege attaches to communications between a solicitor and client or their agents/employees made in order to obtain professional legal advice. Privilege also attaches in a number of other circumstances, including to certain communications made to non-clients in contemplation of litigation.

As a matter of principle there is no difference between in-house and outside counsel when it comes to privilege. Communications between in-house counsel and directors, officers and employees of the companies they serve are privileged provided that they are undertaken by in-house counsel in their capacity as a solicitor of the company, they occur in the course of either requesting or providing legal advice, and they are intended to remain confidential. Solicitor-and-client privilege does not extend to work or advice provided by in-house counsel that is outside their role as counsel.

Canadian cases have found privilege to apply to in-house counsel's notes of advice given, legal research, draft documents, working papers, documents collected for the purpose of giving legal advice, documents between employees commenting upon or transmitting privileged communications with counsel, copies of documents not otherwise privileged upon which the lawyer has made notes, and communications between in-house counsel and outside lawyers for the company, copies of which were sent to employees of the company. Canadian courts have extended a broad protection to communications between an employee and in-house counsel, regardless of the employee's level in the corporate hierarchy. Lawyers can be sued for breach of confidentiality and may face disciplinary action.

South America

Most countries in South America have adopted civil law systems and accordingly, rules governing confidentiality between clients and attorneys are dictated by statutes or codes, in a manner similar to the countries of Continental Europe. Most South American countries however do not make a distinction between external counsel and in-house counsel and extend legal privilege to in-house counsel as well.

1. Argentina[35]

Under Argentine legislation all attorney-client communications and documentation are protected from disclosure. Attorneys have both the right and the obligation not to disclose these communications. The lawyer's right not to disclose privileged matters exists notwithstanding the authorization to disclose granted by the client.

The protection includes the communications between in-house counsel and management provided that: i) the in-house counsel has been appointed as such and publicly holds that position; ii) the in-house counsel is admitted to the bar, at least in the jurisdiction of the domicile of the employer; iii) the communications with management and all other documents in the possession of the lawyer relate and have been issued in connection with the rendering of legal advice.

[34] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Canada.pdf
[35] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Argentina.pdf

The protection includes also the office of the in-house counsel and all documents within. It is good practice to provide to the in house lawyers with an office duly identified as the "legal office" or "in-house lawyer's office" secluded or easily distinguishable from the rest of the administrative offices in the premises of the employer. The same applies to the files, if located outside the lawyer's office.

2. Brazil[36]

The relationship between attorney and client is regulated in Brazil by the Federal Law no. 8.906/94 (Brazilian Bar Association Statute), by the General Regulations of the Brazilian Bar Association Statute and also by the Brazilian Bar Association Code of Ethics and Discipline. These provisions apply to all Brazilian lawyers, including in-house attorneys.

There are express and specific provisions in the Statute and in its Regulations about the attorney-client privileged relationship, which guarantee the attorney the right to protect, and not disclose, the information received from its clients. All the information supplied to the attorney by the client, including written communication, is confidential. As per this privilege, it cannot be revealed, unless if used in the defense limits, when authorized by the client. The confidentiality privilege is extended to the attorney's office, files, data, mail and any kind of communication (including telecommunications), which are held inviolable.

The privilege of confidential communication between the attorney and his client applies even when the client is arrested and imprisonment is considered incommunicable. The attorney has the right to refuse making deposition as witness (i) in a question in which the attorney has acted or may act, or (ii) about facts qualified as professional secrecy related to a person who is or has been his/her client, even if authorized by the last.

The Code of Ethics, in its Chapter III, also provides that the attorney-client relationship is protected by professional secrecy, which can only be violated in the cases of (i) severe threat to life or honor; or (ii) when the attorney is insulted by its own client; and (iii) in self defense. The violation of the professional secrecy must be restricted to the interest of the question under discussion.

3. Chile[37]

The attorney-client privilege is governed in Chile by the Professional Ethics Code for the Legal Profession approved by the Chilean Bar Association (the "Code"). Pursuant to the Code, professional secrecy is a right and a duty of all legal counsel. It does not differentiate between in-house counsel and outside counsel or self-employed counsel.

As provided by the Code, legal counsel are committed vis-à-vis their clients to strictly keep in secret and confidence all the professional matters brought to their attention, duty which has no time limit and extends even after the legal services have been rendered. Legal counsel are entitled and have full right to maintain and protect their professional secrecy before the courts and judges and other authorities, when called to depose in any legal proceedings or to participate in any action that may lead or expose them to reveal or disclose professional confidential information.

Consequently, should a legal counsel be summoned to testify in a legal proceeding, he must attend the audience convened but he must refuse to answer to the examination, if by doing so he may violate the attorney-client privilege. This duty of honoring attorney-client privilege applies also to confidential information received by legal counsel from third parties and colleagues, as well as to that information that derive from negotiations towards certain agreement that failed to succeed.

A legal counsel who receives confidential information from a client cannot undertake any case or defense in trial that directly or indirectly involves such information, unless the previous consent of the client is obtained. If an attorney is accused or sued by his client for alleged malpractice or other matter related with the legal services thus rendered, the attorney may reveal or divulge confidential information that such client or a third party had entrusted him to the extent that the rendering of such information is directly necessary to defend his case.

The attorney-client privilege does not extend to information or communications which are made in furtherance of a criminal purpose, in which case the legal counsel must reveal the necessary information in order to prevent a criminal act or protect a person that may be in danger.

In-house counsel are entitled to the same privileges and are subject to the same obligations as all other legal practitioners, provided that the former are acting in their capacity as lawyers and not in some other capacity, as would be the case when they provide business or investment advice to their employer.

<u>Australia & New Zealand</u>

1. Australia

The civil litigation system in Australia is based predominantly on the United Kingdom's system. It follows therefore, that the concept of privilege in Australia resembles that of the United Kingdom: privilege attaches to confidential documents and communications between client and lawyer which are brought into existence for the primary purpose of giving or receiving legal advice. The right belongs to the client and only he may waive it. Privilege also attaches to confidential communications passing between a client and a legal adviser with reference to litigation that is actually taking place or within the contemplation of the client.

The scope of legal professional privilege has been the subject of considerable scrutiny in Australia. In *Pratt Holdings Pty Ltd v Commissioner of Taxation* [2004] FCAFC 122, the Full Federal Court held that privilege could attach to documents created by a third party, if created for the dominant purpose of obtaining legal advice. In this case, Pratt Holdings Pty Ltd (Pratt Holdings) sought legal advice on the taxation consequences of significant losses incurred by an entity in the Pratt Group. Pratt Holdings engaged PricewaterhouseCoopers (PwC) to prepare a valuation. PwC provided the valuation and various other documents, including a position paper (PwC paper) to Pratt Holdings. Pratt Holdings then provided some of these documents to its lawyers.

[36] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Brazil.pdf
[37] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Chile.pdf

The Commissioner of Taxation applied to the court for declarations that privilege did not attach to certain documents created by PwC, including the valuation and the PwC paper. At first instance, Justice Kenny held that, in the absence of contemplated or actual litigation, privilege did not subsist in a communication between a solicitor or client and a third party, unless the third party was an agent of the client or solicitor for the purpose of the communication. [38]

On appeal, the Full Federal Court took a different view. It held that where litigation was not pending or contemplated, privilege could attach to communications brought into existence between a solicitor or client and a third party, provided that the dominant purpose of the communication was to obtain legal advice. Advice privilege could attach to such communications even if the third party was not an agent of the client or solicitor for the purpose of the communications.

Where the lawyer in question is an "in-house" counsel employed by the "client" who is seeking to maintain a claim for privilege, the general principle is that the law in relation to privilege applies in the same way as for external lawyers. However, because of the closer connection between the lawyer and the client, such claims for privilege usually attract closer scrutiny than claims involving external lawyers.

The Supreme Court of the Australian Capital Territory reconsidered the criteria for in-house counsel to maintain legal professional privilege in relation to advice given to their employers. To ensure that LPP attaches to the advice given by in-house counsel, the Court established, the in-house lawyer should 1) have a current practicing certificate 2) maintain independence, giving advice based on the professional relationship rather than the employment relationship 3) conduct oneself in a professional manner when providing advice to the employer or other employees of the employer 4) minimize any conflicts which may exist between acting as a lawyer for client (employer) and working for them as an employee.[39]

2. New Zealand[40]

In-house counsel are entitled to the same legal privileges and are subject to the same obligations as all other legal practitioners. It is inappropriate to draw distinctions between in-house counsel and those practicing privately, provided that the former are acting as lawyers and not in some other capacity. In-house solicitors can, therefore, rely on both solicitor/client privilege and litigation privilege ("legal professional privilege") if acting in their capacity as a lawyer at the relevant time.

The proper approach, where an issue arises as to whether an in-house counsel was acting in their capacity as a lawyer, is for the solicitor to demonstrate affirmatively that he or she was acting as a lawyer and not simply as an employee possessing specialist skills. If, for example, in-house counsel provide business advice then they can not be said to be acting in their capacity as a lawyer.

In the event that communications with in-house counsel are not covered by legal professional privilege, it may be possible to restrict inspection and the use of certain documentation on the basis that the information is commercially sensitive.

[38] http://www.freehills.com.au/print/publications_1485.html
[39] http://www.freehills.com.au/publications/publications_1292.asp
[40] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/New%20Zealand.pdf

Examples of such commercially sensitive information would be documents showing the detailed cost of products or services which are provided in a competitive market, the marketing plans for a proposed new product or a patent specification during the period before the application has been accepted and made available for inspection.

The protection that the Court may provide to commercially sensitive information can take many forms. The inspection of the documents may be limited to those persons who require inspection for the purposes of the proceeding such as solicitors, counsel and expert witnesses; confidential parts of documents may be sealed; references to third parties may be replaced by initials; and the Court may require an undertaking that there be no removal, copying or use of the information.

Orders for non-disclosure of such information will only be granted by the Court in situations where it considers that this is necessary and that disclosure would be likely to prejudice the party making discovery in some significant way.

Asia

1. Hong Kong[41]

In general, for communications between lawyers and clients to be privileged, the following requirements must be satisfied:

- the communications must be made in the course of the client's obtaining legal advice from the lawyer, in his professional capacity (even if no formal retainer is entered into, i.e. merely seeking advice by the client and the lawyer responding to them is sufficient);
- the communications must be given in confidence, i.e. not in front of any third party and no instruction has been given by the client to the lawyer to inform a third party of the content of the communications; and
- the communications cover all legal advice and are not limited to pending legal proceedings.

The legal position of in-house counsel is that salaried legal advisers are regarded by law in every respect as being in the same position as those who practice on their own account. Thus, they owe to their clients the same duty of confidentiality and the duty to assert privilege on behalf of their clients as those in private practice do. Likewise, communications between in-house lawyers and the employees of the company they serve enjoy the same privileges. Exceptions to the privilege exist where the communication was made before the lawyer was employed as such, or after his employment had ceased; or where, although consulted by a friend because he was a lawyer, yet he refused to act as such and was therefore only applied to as a friend. Privilege is inapplicable if the communications were made in furtherance of a crime or fraud. Privilege can be overridden by law, e.g. the Prevention of Bribery Ordinance and the Inland Revenue Ordinance. It can also be overridden by a court order which clearly purports to do so.

In any case, when disclosure is required by law or by court order, care must be taken such that no more information than is required is divulged. It is possible to argue that although communications are not privileged, yet they are confidential. The client can either rely on a contractual duty not to disclose confidential information to protect the information, or he may rely on the broad principle of

[41] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Hong%20Kong.pdf

equity that he who has received information shall not take unfair advantage of it and thus claim breach of confidence.

2. China[42]

Attorney-client privilege is not a well-established principle under the laws of the People's Republic of China. The Law of Attorneys of the People's Republic of China ("PRC") and the PRC Code of Ethics for Attorneys both only provide that attorneys shall keep confidential trade secrets obtained from their clients and privacy of their clients. However, the law is silent on whether communications between attorneys and their clients shall be kept confidential as an attorney-client privilege.

There is a statutory basis for a lawyer's duty to keep confidences of a client. However, in reality, confidentiality obligations are subservient to the needs of the State.[43] Lawyers are subject to cancellation of their license or criminal liability if they provide fake evidence or conceal important facts. The interests of the State ordinarily prevail over a lawyer's confidentiality requirements, particularly in the criminal defense context.[44]

In the PRC the law does not differentiate between in-house counsel and external attorney. Therefore, it is understood that the same rule also applies to in-house counsel on this matter.

3. Singapore[45]

Legal professional privilege (known as solicitor-client privilege) exists under sections 128(1) and 131 of the Evidence Act and also under the common law to the extent that it is not inconsistent with the Act.

An advocate or solicitor (that is a lawyer admitted to the Singapore Bar to practice law in Singapore) may not disclose, without his client's consent, any communication made by or on behalf of the client to the advocate or solicitor in the course and for the purpose of his employment as advocate or solicitor, the contents of any document obtained during the course of his employment, or any advice given to the client (Section 128(2) of the Evidence Act). Generally, communications for the purposes of obtaining business advice, or for any other purpose, are not privileged.

Common law also provides that all letters and other communications passing between a client and his solicitor are privileged from production if they are confidential, and written to or by the solicitor in his professional capacity, for the purpose of getting legal advice or assistance for the client.

[42] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/China.pdf
[43] Diana Good, Patrick Boylan, Jane Larner and Stephen Lacey, Linklaters, "Privilege: a world tour" < http://crossborder.practicallaw.com/2-103-2508>
[44] Id.
[45] Id.

4. Japan[46]

Under the laws of Japan, the concept of an attorney-client privilege does not exist. However, there are other options in-house counsel can use to protect confidential communications with the officers, directors and employees of the companies they serve from disclosure orders by the Japanese court in a civil litigation and from criminal proceedings.

Current and former Bengoshi (lawyers admitted in Japan) and Gaikokuho Jimu Bengoshi (foreign law business lawyers registered in Japan) have the right and obligation under statutory law to hold in confidence secret information obtained during the course of their professional duties (Article 23 of Lawyers Law [Law No. 205 of 1949, as amended]; Article 50, paragraph 1 of Special Measures Law concerning the Handling of Legal Business by Foreign Lawyers [Law No. 66 of 1986, as amended]).

Japan's Code of Civil Procedure (Law No. 109 of 1996, as amended) (the "Civil Procedure Code") further provides that current and former Bengoshi and Gaikokuho Jimu Bengoshi may refuse to testify as a witness in a civil court when questioned about their knowledge of facts obtained during the course of their professional duties, so long as such facts are still considered confidential (Article 197, paragraph 1, item 2).

In order for lawyers to be able to comply with their duties of confidentiality in relation to clients' documents which include such confidential information (referred to in Article 197, paragraph 1, item 2 of the Civil Procedure Code), the Civil Procedure Code also provides that the holder of such documents may refuse to produce them to a civil court, provided the duty of confidentiality has not been exempted or waived (Article 220, item 4-c). This means that a civil court cannot issue an Order to Produce Documents (Bunsho Teishutsu Meirei) to current or former Bengoshi or Gaikokuho Jimu Bengoshi concerning documents which contain their client's confidential information, unless such information is no longer confidential.

Japan's Code of Criminal Procedure (Law No. 131 of 1948, as amended) (the n"Criminal Procedure Code") provides that current and former Bengoshi and Gaikokuho Jimu Bengoshi may forbid the seizure of items containing confidential information of a third party if the lawyer kept or held such items because they were entrusted to the lawyer during the course of the lawyer's business. Exceptions to this rule apply when the third party consents to the seizure, or when the lawyer's refusal to relinquish such items is considered to be an abuse of the attorney's power and made solely in the interest of the accused or the defendant, unless the said third party is the accused or the defendant (Article 105; Article 222, paragraph 1).

The Criminal Procedure Code also provides that current and former Bengoshi and Gaikokuho Jimu Bengoshi may refuse to testify as a witness in a criminal court concerning confidential information of a third party which the lawyer obtained because it was entrusted to the lawyer during the course of the lawyer's business. Exceptions to this rule apply when the third party consents to such attorney's testimony, or when the lawyer's refusal to testify is considered to be an abuse of the attorney's power and made solely in the interest of the defendant, unless the said third party is the defendant (Article 149).

[46] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Japan.pdf

However, all the protection described above are limited by its nature, because unlike the attorney-client privilege recognized in the United States, which is essentially the client's privilege, the rationale behind this protection in Japan comes from the need to assist the lawyers to uphold their statutory duty of confidentiality.

Also, all the protection described above can only be applied if the in-house counsel is either a Bengoshi or a Gaikokuho Jimu Bengoshi. This is important because while the number of in-house counsel in Japan has dramatically increased in recent years, there are still many legal departments in Japanese companies that do not have in-house counsel, and they are usually staffed by employees who have only majored in or studied law as college undergraduates.

Even if the company does not have in-house counsel, there are still other ways to protect confidential corporate information. For example, the Civil Procedure Code provides that a civil court witness may refuse to testify when questioned regarding matters relating to technical or professional secrets, so long as such matters are still considered confidential (Article 197, paragraph 1, item 3). In order for such secrets to remain confidential, the Civil Procedure Code also provides that the holder of documents which include matters referred to in Article 197, paragraph 1, item 3 of the Civil Procedure Code may refuse to produce them to a civil court, provided the duty of confidentiality has not been exempted or waived (Article 220, item 4-c). Case law indicates that in order for the holder of documents containing such secrets to successfully refuse their disclosure, the importance of withholding such secret information must be very substantive and important enough to justify the hindrance to the judicial process as a result of excluding such information.

In addition, the Civil Procedure Code provides that the holder of documents which were intended for use strictly by the holder may refuse to produce them to a civil court (Article 220, item 4-d). Case law indicates that in order for a company which holds such documents to successfully refuse their disclosure, the court must determine that such documents were made strictly for the company's internal use, and that no person outside the company had ever seen nor had the opportunity to see such documents.

If a civil court considers it necessary to determine whether a document containing attorney-client communications and other confidential information should be excluded from any motion for an Order to Produce Documents, the court may cause the holder of the document to make the document available for its review. In that case, no one may request disclosure of the document presented to the court (Civil Procedure Code, Article 223, paragraph 6). This procedure gives added protection to confidential information by allowing the judge to review the document in private, without having to disclose the document to the petitioner prior to the judge's ruling on the motion.

Finally, a witness may refuse to testify in a civil or criminal court when the testimony relates to matters that could be self-incriminating or incriminate close relatives of the witness if disclosed Civil Procedure Code, Article 196; Criminal Procedure Code, Articles 146 and 147). A witness may also refuse to testify in a civil court when the testimony relates to matters that would be armful to the honor of the witness or close relatives of the witness if disclosed (Civil Procedure ode, Article 196). One may also refuse to produce documents it holds to a civil court that (i) could be self-incriminating or would be harmful to the honor of the holder; or (ii) could incriminate, or would be harmful to the honor of, the holder's close relatives (Civil Procedure Code, Article 220, item 4-a).

5. South Korea[47]

In Korea, there is no such concept of an attorney-client privilege. Under the Attorneys Act, however, an attorney or anyone who was attorney shall not disclose any secret information obtained in the course of their professional duties, unless any statute provides otherwise. Such obligation is imposed on attorneys on the one hand, and in civil and criminal procedures, on the other hand, an attorney or an ex-attorney is entitled to refuse to testify on any confidential information obtained in the course of his or her professional duties.

Unlike the 'attorney-client privilege' in common law, which is basically the client's privilege, the said rights to refuse to testimony in Korea are considered being granted to attorneys and ex-attorneys in order to assist attorneys and ex-attorneys to faithfully perform the said statutory obligation. In civil procedures, therefore, the above attorneys' rights shall not be recognized when their obligation to keep confidential are waived. In criminal procedures, a slightly different rule comes into play; namely, attorneys' right to refuse to give testimony shall not be recognized when the client's consent or 'significant public necessity' exists. The above rules as to testimony are also applicable in the same manner with respect to production of documents to civil court or search and seizure in criminal investigation.

In light of the above principles, certain protection will be given to communications between in-house counsel serving in a company and officers, directors and other employees of the same company. Generally it is construed that, in order for in-house counsel to exercise the rights to refuse to give testimony, concerned communication needs to have been obtained by the attorney in the course of professional duties as an attorney, not in the course of performing other functions, such as mere administration. In connection with communication concerning non-legal matters, in-house counsel therefore will not have "attorneys' rights" to refuse to testimony; however, in the event that the matter is related to 'technical or occupational secrets,' in-house counsel may have separate rights to refuse to give testimony pursuant to civil procedure law.

6. India[48]

In India, professional communications between attorneys and clients are protected as 'privileged communications' under the Indian Evidence Act, 1972 (the "Evidence Act"). This attorney-client privilege as stated in the Evidence Act provides that no attorney shall be permitted to:

(i) disclose any communication made to him in the course of or for the purpose of his employment as such attorney, by or on behalf of his client;
(ii) state the contents or condition of any document with which he has become acquainted in the course of and for the purpose of his professional employment; or
(iii) disclose any advice given by him to his client in the course and for the

[47] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/Korea.pdf
[48] http://www.lexmundi.com/images/lexmundi/PDF/AttyClient/India.pdf

purpose of such employment.

This attorney-client privilege continues even after the employment has ceased. However, there are certain limitations to the aforesaid privilege and the law does not protect the following from disclosure:

(i) disclosures made with the client's express consent;
(ii) any such communication made in furtherance of any illegal purpose; or
(iii) any fact observed by any attorney in the course of his employment, showing that any crime or fraud has been committed since the commencement of his employment. It is immaterial whether the attention of the attorney was or was not directed to such fact by or on behalf of his client.

An in-house counsel, being in the full-time employment of a person, is not recognized as an 'attorney' under Indian Law. Thus, professional communications between an in-house counsel and officers, directors and employees of a company are not protected as privileged communications between an attorney and his client, as stated above. In other words, to invoke the privilege, the communications must necessarily be made or received by an 'attorney'. However, in practice the employment contract of an in-house counsel usually contains a confidentiality clause protecting any information disclosed to such counsel during the course of his employment. Though this confidentiality clause is not similar in nature to a 'privileged communication', subject to certain contractual exceptions, a client will be entitled to claim damages from the in-house counsel in the event of breach of such a confidentiality clause.

LEX MUNDI
THE WORLD'S LEADING ASSOCIATION OF INDEPENDENT LAW FIRMS

In-House Counsel and the Attorney-Client Privilege

About Lex Mundi

Lex Mundi is the world's leading association of independent law firms, providing for the exchange of professional information regarding the local and global practice and development of law, facilitating and disseminating communications among its members and improving its member firms' abilities to serve their respective clients. Lex Mundi has member firms in 99 countries, in 54 states and territories of the United States and in 10 Canadian provinces.

The worldwide coverage of Lex Mundi's membership provides Lex Mundi the unique ability to conduct and facilitate surveys of local law and procedure on a global scale. Lex Mundi member firms cooperated with the World Bank, Harvard University and Yale University to complete the most comprehensive comparative study of litigation ever undertaken. Lex Mundi member firms are currently working with the same organizations on a comparative study of the rights of minority shareholders.

About This Survey

This Lex Mundi multi-jurisdictional survey presents a country-by-country overview of the availability of protection from disclosure of communications between in-house counsel and the officers, directors or employees of the companies they serve. Each Lex Mundi member firm was asked to describe briefly the applicability of the attorney-client privilege to communications with in-house counsel in its jurisdiction. The summaries presented below -- covering virtually all of the jurisdictions of the world -- address the following questions:

- Are communications between in-house counsel and officers, directors and employees of the company they serve privileged?
- If so, are there limitations on the privilege?
- If not privileged in and of themselves, are there alternative methods of protecting the information?

In-House Counsel and the Attorney Client Privilege : A Lex Mundi Multi-jurisdictional Survey

The descriptions set forth below are, of course, intended only as a general overview of the law as of July 1, 2002. No summary can be complete, and the following is not intended to constitute legal advice as to any specific case or factual circumstance. Readers requiring legal advice on any such case or circumstance should consult with counsel admitted in the relevant jurisdiction.

The editor-in-chief for this survey is Samuel Nolen, a member of Lex Mundi's Board of Directors and a member of Richards, Layton & Finger, P.A., Wilmington, Delaware. The survey's coordinator is Kimberly Heye, Lex Mundi's Membership and Events Coordinator.

Contact information for the author of each summary is set forth in the appendix.

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Country	*Attorney-Client Privilege Rule*	*Source*
Anguilla, British West Indies (Webster Dyrud Mitchell)	• No difference between application to in-house counsel or lawyers in private practice • As regards an in-house lawyer qualified in foreign law, the principles will apply to advice given in respect of that foreign law, but it is unclear that they would apply to advice given on domestic law unless the lawyer is a member of the Anguilla bar	No domestic law governing privilege, instead broadly follow British common law principles
Argentina (Marval, O'Farrell & Mairal)	• No distinction made between inside and outside counsel • All attorney-client communications protected from disclosure • Only requirement is that the communication relates to legal matters entrusted to attorneys	Argentine legislation
Australia (Clayton Utz)	• No difference in treatment of Communications between in-house counsel and officers, directors and employees, and between external attorneys • Where the lawyer is an in-house counsel, for the privilege to apply the communications must be made or received by the in-house counsel in their capacity as a lawyer (obligations of competence (through qualification to practice) and independence)	Legislation (may vary by jurisdiction); *see also Ritz Hotel Ltd v Charles of the Ritz Ltd and anor* (1987) 14 NSWLR 100 (communications made or received by in-house counsel in their capacity as lawyer are privileged)
Austria (Cerha, Hempel & Spieglfeld)	• Privilege not applicable to in-house counsel (because they are not considered independent of the organization) • General duty of loyalty under Austrian labor law (to keep secret relevant information concerning the enterprise towards third persons) applies to in-house counsel if it is in the interest of the employer	AM&S-decision of the European Court of Justice, Austrian labor law and Austrian Data Protection Act
Azerbiajan (Baker Botts L.L.P.)	• Privilege does not apply to in-house counsel • To protect communications from disclosure, in-house counsel may only rely upon general protection methods (such as confidentiality clauses)	Law on Advocates and Advocates' Activity (1999) and the Criminal Code (2000)

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Bahamas (McKinney, Bancroft & Hughes)	• Communication between in-house counsel and employer have same privilege as communications between attorneys and clients • Extends to communications for purposes of securing legal advice and for communication in anticipation of litigation • Does not extend to casual conversations with in-house counsel or communications outside the scope of securing advice or anticipated litigation	
Bahrain (Hassan, Radhi & Associates)	• No specific law that applies to in-house counsel • Privilege applies to attorneys (including in-house counsel) who are Bahraini nationals and in the Rolls to practice in Bahraini Courts • Confidentiality clause can prevent disclosure of communications with in-house counsel to third parties, however it does not prevent disclosure in case of enquiry by a government official or if a case is filed in Court • Evidence law prohibits attorneys from divulging information or events they learned through their practice or capacity may apply to all in-house counsels (even if non-Bahraini and Bahraini not on Rolls)	Article 29 of the Legal Practice Act promulgated by Legislative Decree No. 26 of 1980, and Article 67 of Legislative Decree No. 14 of 1996 with respect to the Law of Evidence
Bangladesh (The Law Associates)	• Professional communication is protected • Same principles of attorney-client privilege apply to in-house counsel, however the communication needs to be for legal purpose as distinct from administrative	Evidence Act and Rules of Professional Conduct framed by Bangladesh Bar Council
Barbados (Clarke Gittens & Farmer)	• No distinction between in-house and outside counsel • Privilege protects from disclosure communications between attorneys and clients • Privilege does not extend to situations where a statute or court order requires disclosure	Legal Profession Code of Ethics Chapter 370 of the laws of Barbados
Belize (Barrow & Williams)	• Privilege applies to communications between in-house counsel and officers, directors or employees of company • All communications made for the purpose of obtaining or giving legal advice is protected from disclosure	

Bolivia (C.R. & F. Rojas, Abogados)	Privilege applies to communications between in-house counsel and officers, directors or employees of the companies they serve	Article 10 of the Professional Ethics Code for the Legal Profession approved through Executive Decree 11788 dated September 9, 1974
Brazil (Demarest e Almeida)	• Privilege applies to all Brazilian lawyers, including in-house attorneys • All information supplied to the attorney by the client, including written communication, is confidential	Federal Law no. 8.906/94 (Brazilian Bar Association Statute); General Regulations of the Brazilian Bar Association Statute; Brazilian Bar Association Code of Ethics and Discipline
British Virgin Islands (O'Neal Webster O'Neal Myers Fletcher & Gordon)	• Principles and rules applicable to independent attorneys apply equally to in-house counsel and their clients • In some circumstances an in-house counsel can be required to disclose information otherwise protected by the attorney-client privilege as a matter of statutory law (for example as pertaining to money laundering, drug trafficking, financial services and proceeds of criminal conduct)	Attorney-client privilege rules primarily based on common law principles; relevant legislation includes: the Anti-money Laundering Code of Practice, 1999; the Drug Trafficking Offences Act, 1992; the Financial Services (International Co-operation) Act, 2000, and: the Proceeds of Criminal Conduct Act, 1997
Bulgaria (Lega InterConsult Penkov, Markov and Partners, Law Offices)	• Privilege of communication is provided only for attorneys-at-law and not for in-house counsel • In-house counsel is treated as a regular employee of the respective company, and the information and correspondence of the in-house counsel is not especially protected against third parties • However, the in-house counsel does have the right to appear before the court as legal representative of the company, something which is in principle the exclusive privilege of the attorney-at-law	Article 18 of the Law on Advocacy; Article 20 of the Civil Procedure Code (right to appear for in-house counsel)

Canada General Overview	• No difference in treatment between in-house and outside counsel as a matter of principle • Communications are privileged provided they are undertaken by in-house counsel in their capacity as a solicitor of the company, they occur in the course of either requesting or providing legal advice, and they are intended to remain confidential • Privilege does not apply to in-house counsel to work or advise outside their role as counsel (e.g., if acting in an executive or director capacity) • In determining whether privilege applies, the character of the work performed will be examined	Common law principles and rules of solicitor-client privilege
Alberta, Canada (Blake, Cassels & Graydon LLP)	• Communications are privileged provided they are undertaken by in-house counsel in their capacity as a solicitor of the company, they occur in the course of either requesting or providing legal advice, and they are intended to remain confidential • Work and advice provided by in-house counsel outside their role as counsel is not privileged; this includes work normally done by an in-house counsel that is not in fact legal work (e.g. investigation) • Where in-house counsel perform dual roles in the corporation, communications made by in-house counsel in an executive or capacity other than as solicitor will not be privileged • In determining whether privilege applies, the character of the work performed will be examined • A lawyer employed in a non-legal capacity (e.g. a manager) will not be protected by privilege, even if the lawyer is providing legal advice	*Alfred Crompton Amusement Machines Limited v. Commissioners of Customs and Excise (No.2)*, [1972] 2 All E.R. 353 at 376 (C.A.) (common law rule regarding in-house counsel); *Gainers Inc. v. Canadian Pacific Ltd.*, [1993] 4 W.W.R. 609 (Alta.Q.B.); *Huskey Oil Operations Ltd. et al v. MacKimmie Matthews et al (1999)*, 271 A.R. 115 (Alta.Q.B.) (communications of lawyer employed in non-legal capacity are not protected by privilege); Chapters 12 and 15 of the Code of Professional Conduct
British Columbia, Canada (Farris, Vaughan, Wills & Murphy)	• Communications between an in-house counsel and the corporate client are privileged if undertaken in the in-house counsel's role as a solicitor for the purpose of giving professional legal advice • Privilege does not apply to communications made in another capacity of the in-house counsel, such as executive or director • The capacity in which the solicitor is acting is a question of fact	Common law principles

Manitoba, Canada (Thompson Dorfman Sweatman)	• No distinction between the in-house counsel and outside counsel with respect to attorney-client privilege; but courts are mindful of "special problems" in corporate context such as who is the client (the corporation; and the privilege is for its benefit and can be only waived by it) and in what capacity is the attorney acting (privilege attaches only where in-house counsel is acting in his legal capacity) • Counsel must be mindful, and employees must know, that counsel's obligations are to the corporation and not to the employees • But broad protection afforded to communications with employees regardless of the level of the employee in the corporate hierarchy	*Crompton (Alfred) Amusement Machines Ltd. v. Commissioners of Customs and Excise* (No.2) [1972] 2 All E.R. 353 (CA); *R. v. Campbell* [1999] 1 S.C.R. 565; adopted United States Supreme Court decision in *Upjohn v. United States* 449 U.S. 383
New Brunswick, Canada (Clark Drummie)	• No distinction between in-house counsel and outside counsel with respect to privileged communications • Communications are privileged provided they are undertaken by in-house counsel in their capacity as a solicitor of the company, they occur in the course of either requesting or providing legal advice, and they are intended to remain confidential	Common law principles and rules of solicitor-client privilege
Newfoundland and Nova Scotia, Canada (McInnes Cooper)	• Communications between in-house counsel and their corporate employers, which contain legal advice, are entitled to same privilege as that which prevails over documents between practicing solicitors and their clients • If in-house counsel is acting in some other role, and communication arises out of that other role, it is doubtful that solicitor-client privilege would apply	*Quinn v. Federal Business Development Bank* (1997), 151 Nfld. & P.E.I.R. 212 (Nfld.S.C.T.D.); *Nova Aqua Salmon Ltd. Partnership (Receiver and Manager of) v. Non-Marine Underwriters, Lloyd's London*, [1994] N.S.J. No. 418 (S.C.); *Alfred Crompton Amusement Machines Ltd. v. Commissioners of Customs and Excise* (No. 2), [1972] 2 All E.R. 353 (C.A.); *IBM Canada Ltd. v. Xerox Canada Ltd.*, [1978] 1 F.C. 513 (C.A.)

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Ontario, Canada (Blake, Cassels & Graydon LLP)	• Privilege applies provided that the communications are undertaken by in-house counsel in their capacity as a solicitor of the company, they occur in the course of either requesting or providing legal advice, and they are intended to remain confidential • Any communications made by in-house counsel in an executive or other capacity will not be protected by privilege • In-house counsel is also bound by an ethical rule of confidentiality that is wider than the rule regarding solicitor-client privilege; in-house counsel is required to hold all information concerning the business and affairs of their corporate client acquired in the course of the professional relationship in the strictest of confidence without regard to the nature or source of the information or the fact that others may share the knowledge; such knowledge can only be divulged with express or implied authorization by the client or as required by law • If in-house counsel become aware of dishonest or illegal acts, they are obligated to recognize that their duty is owed to the corporation and not to its officers, employees or agents	Common law principles and Rules of Professional Conduct
Prince Edward Island, Canada (Patterson Palmer)	• No apparent distinction between in-house counsel and outside counsel • Solicitor-client privilege applies so long as the purpose of the communication is to seek legal advice, and which is intended by the parties to be confidential • Communications made with purpose other than legal advice (such as regarding business matters), are not privileged • Privilege may be overridden when the public interest so demands	Common law
Quebec, Canada (Desjardins Ducharme Stein Monast)	• Communications between in-house counsel and officers, directors or employees of the company will be protected only if the purpose or the consultation or communication is to obtain legal advice and is intended to be confidential • Communications will not be protected where in-house counsel fulfils administrative functions	Charter of Human Rights and Freedoms (the attorney-client privilege is considered as a fundamental right); Civil Code of Quebec; Professional Code; Code of ethics of advocates; An Act respecting The Barreau du Quebec;

Saskatchewan, Canada (MacPherson Leslie & Tyerman)	• Same privilege applies to communications between in-house counsel and officers, directors or employees of their companies as to communications with outside counsel • Privilege applies so long as the purpose of communication is to obtain legal advice • Privilege does not apply to communications of in-house counsel in some other capacity, such as that of an executive • Unclear whether portions of documents (such as meeting minutes) reflecting legal advice may be severed or redacted from a document that substantially deals with other business matters and is therefore relevant and producible • Unclear whether privilege will attach where the matter upon which advice was given was a matter governed by the law of a jurisdiction in which the in-house counsel is not licensed to practice • Broad protection extended to communication regardless of the employee's level in the corporate hierarchy	Common law
Cayman Islands (Walkers)	• Privilege likely applies equally to communications between in-house counsel and their company as to those in private practice and their clients • Only applies to work done by the in-house counsel in their capacity as a legal advisor • In-house counsel are subject to statutory requirements to report knowledge/suspicion of money laundering to the relevant authority and such reporting will not constitute breach of privilege • In-house counsel is also likely prohibited from disclosure of "confidential information" (information concerning any property which the recipient thereof is not, other than in the normal course of business, authorized by the principal to divulge)	English common law principles, as outlined in *Alfred Compton Amusement Machines Limited v. Commissioners of Customs and Excise (No. 2)* [1972] 2 QB 102 at 129; the Proceeds of Criminal Conduct Law (2001 Revision); the Money Laundering Regulations 2000; Cayman Islands Confidential Relationships (Preservation) Law (1995 Revision)
Channel Islands-Guernsey (Carey Langlois)	• Same privilege applies to communications between in-house counsel and their employer as those of any lawyer and client • Privilege applies as long as the communication is made as part of the in-house counsel's legal function • Any communication by a non-lawyer may be privileged if produced by an in-house legal department under the direction of in-house counsel	Follows same rules as England

Channel Island-Jersey (Mourant du Feu & Jeune)	• Same privilege applies to communications between in-house counsel and their employer as those of any lawyer and client • Same privilege applies to communications between in-house counsel and their employer as those of any lawyer and client • Any communication by a non-lawyer may be privileged if produced by an in-house legal department under the direction of in-house counsel	Follows same rules as England
Chile (Claro & Cia)	• No difference in treatment between in-house counsel and outside counsel or self-employed counsel • Privilege applies to in-house counsel only if acting in their capacity as lawyers, and not some other capacity	Professional Ethics Code for the Legal Profession approved by the Chilean Bar Association
Columbia (Brigard & Urrutia)	• No distinction between in-house counsel and outside counsel; in-house counsel are bound to maintain and respect professional secrecy • Professional secrecy is inviolable under the Columbian Constitution and courts impose strict duty of non-disclosure	Columbian regulations on the professional duties of legal practitioners; article 28 of the Code of Criminal Procedure; article 258 of the Criminal Code
Costa Rica (Facio & Canas)	• No distinction between in-house counsel and outside counsel • Protection of communication between in-house counsel and officers, directors and employees of their companies can be enhanced contractually, through confidentiality agreements	Sections 33 and 34 of the Lawyer's Professional Moral Code enacted by the Costa Rican Bar Association
Cyprus (Dr. K. Chrysostomides & Co.)	• The privilege not to disclose confidential information applies to all attorneys and there is no apparent distinction between in-house or outside counsel	The Advocates Law (Cap. 2); Advocates Professional Etiquette Regulations
Czech Republic (Prochazka Randl Kubr)	• Privilege does not apply to in-house counsel, and therefore communications between in-house counsel and their employer is not protected from disclosure • In limited cases a special duty of confidentiality may apply (such as to in-house counsel at state organizations or regulated businesses)	Czech Advocacy Act (applies only to external counsel, members of the Czech Bar Association)
Denmark (Kromann Reumert)	• The rules apply to all Danish attorneys, whether in-house, self-employed or otherwise • Privilege applies to confidential communications between in-house counsel and client	The Danish Administration of Justice act and the Danish Penal Code
Dominican Republic (Pallerano & Herrera)	• Confidential communications between attorneys and clients are generally protected by privilege	

Ecuador (Perez Bustamante & Ponce, Abogados)	• No distinction between in-house counsel and outside attorneys	Professional Code of Ethics approved by the National Lawyers Federation in 1969
Egypt (Shalakany Law Office)	• No distinction between in-house counsel (if subject to the Egyptian Bar Association Law) and outside attorneys • In case of in-house counsel, his client is the person with the authority to appoint him and to represent the entity he serves	Egyptian Bar Association Law
Estonia (Lepik & Luhaaar)	• Privilege does not apply to communications between in-house counsel and officers, directors or employees of the their companies • An attorney who is a member of the Estonian Bar Association is not allowed to work as an in-house counsel • Only the communication between in-house counsel and attorney is protected by the privilege	Estonian Bar Association Act
Finland (Roschier Holmberg Attorneys Ltd.)	• General attorney-client privilege does not apply to in-house counsel • In-house counsel may refuse to give evidence on business secrets (as a witness in court, in police investigations or in tax matters) and lawfully object to confiscation of documentation relating to such secrets if obtained in connection with correspondence with a client regarding a lawsuit handled by the in-house counsel	
France (Gide Loyrette Nouel)	• Privilege does not apply to communications between in-house counsel and employees, officers or directors of a company • In-house counsel are obliged to respect professional secrecy regarding the information qualified as "business secrets" they receive within the context of their position with the company or in context of providing legal advice; a breach of this obligation is deemed a criminal offense • In-house counsel can be called to testify or to provide evidence against their company, and they have no access to criminal files • Existing privilege may be lost once the communication is made with the in-house counsel in a country that does not recognize legal privilege with in-house counsels	French and EU law

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Germany (Norr Stiefenhofer Lutz)	• In-house counsel has the right to refuse to give evidence of information obtained from his employer if the in-house counsel is permitted to practice in Germany and the information is obtained in course of providing legal advice • Attorneys and in-house counsel are obliged under the duty of confidentiality in regard to all information they receive from their clients; a breach of which is a criminal offense • In civil cases, attorneys and in-house counsel can refuse to give evidence on any information provided to them in their legal capacity • In criminal cases, documents in possession of in-house counsel are privileged from seizure; but if in possession of the company then documents can be seized by the public prosecutor	§43a (2) BRAO [Federal Regulation concerning Attorneys]; §2 BORA [Regulations concerning the Legal Profession]; §203 of the Criminal Code; §53, 97 of the Code of Criminal Procedure; §§ 383, 384, 385, 420, 422, 423, 429, 142 of the Code of Civil Procedure; § 810, 675, 680 of the Civil Code; §258 of the Commercial Code
Gibraltar (Marrache & Co.)	• The relationship between a lawyer and the client and the preparation of documents and other materials for litigation are privileged from disclosure	
Greece (Zepos & Yannopoulos)	• No distinction in application of privilege to communications between in-house counsel and corporate officers and employees, and independent legal counsel • All information obtained in the course of legal practice is treated as strictly confidential	Attorney Code of Conduct; Code of Civil Procedure; Code of Criminal Procedure; Criminal Code
Guatemala (Mayora & Mayora)	• No distinction whether the attorney exercises his/her profession independently or "in-house," and therefore the same standards of privilege apply to both	Article 2033 of the Civil Code; the Code of Ethics of the Bar Association
Honduras (Bufete Gutierrez Falla)	• No distinction made between in-house and independent counsel, thus the communications between in-house counsel and officers, directors and employees of their company are protected by standards of professional secrecy	Honduran code of Professional Ethics for Law adopted by the Honduran Bar Association on April 30, 1966

Hong Kong (Johnson Stokes & Master)	• No distinction between in-house and independent counsel, and same duty of confidentiality and privilege applies equally • Communications between in-house counsel and the employees of the company they serve enjoy the same privileges • Privilege applies as long as communication made in course of the client's obtaining legal advice from the lawyer, and given in confidence	
Hungary (Cerha, Hempel & Spiegelfeld, Austria)	• Privilege is applicable to in-house counsel only if the counsel is a member of the Bar; however most in-house counsel are not Bar members • In general, there is no protection of communication between in-house counsel and officers, directors or employees of the company • Duty of confidentiality of in-house counsel is regulated primarily by employment contract • Duty of is confidentiality also regulated by the Labor Code, applicable to employees of a company (duty to keep confidential all information about the employer and its activity learned in course of employment, and employee shall not endanger the economic interests of the employer);	The Labour Code Act XXII of 1992
Iceland (Logos)	• Privilege of protection from disclosure applies to communications between in-house counsel and officers, directors or employees of their companies • In-house counsel (as well as outside counsel) may be obligated to disclose information that becomes known to the interests at stake • Privilege is not available if in-house counsel obtained the information in capacity other than as attorney	Icelandic law
Indonesia (Ali Budiardjo, Nugroho, Reksodiputro)	• No apparent protection from disclosure (as required by law) of communication and information known by the in-house counsel, although the in-house counsel is required to keep all privileged communications with the company management strictly confidential • If court requests disclosure of privileged information the in-house counsel must do so; however, counsel can request a court that the disclosure be made in a court session closed to the public	

Ireland (Arthur Cox)	• Privilege applies to confidential legal advice and confidential documents created in contemplation of litigation • Privilege applies to in-house counsel with one exception: the European Commission's power to require production of documents in the course of an investigation into the infringements of Article 81 and 82 of the Treaty of Rome is limited to lawyers independent of client	Ireland and European Community Law
Isle of Man (Cains Advocates Limited)	• Privilege applies to confidential legal advice and confidential documents created in contemplation of litigation • Privilege applies equally to in-house counsel, and thus communications between in-house counsel and other persons within their company are protected; however the privilege does not apply if communications relate merely to administrative matters • Communications by or with a non-qualified employee working under the supervision of in-house counsel is protected if the employee acts as the agent of in-house counsel	Isle of Man law
Israel (S. Horowitz & Co.)	• No distinction made between in-house counsel and independent attorney • Communications are privileged only if officers, directors and employees of company are acting on behalf of the company and the communication relates to the professional attorney-client relationship between the in-house counsel and the company • Where the privilege applies it is absolute, and can only be waived by the client	Bar Association Law, 1961; Evidence Ordinance [New Version], 1971
Italy (Chiomenti Studio Legale)	• Privilege does not apply to in-house counsel as they do not have the status of professional attorney • In-house counsel, as employees, are bound by obligation of confidentiality towards their employer (on the organization and production methods of employer, and providing a mean of protection of know-how and trade secretes from unlawful dissemination); criminal remedies are available for breach of confidentiality on general secret information	Article 200 of the Italian Criminal Procedure; Italian Professional Law (R.D.L.n. 1578/1933); Article 2105 of the Italian Civil Code; Articles 622, 623 of the Italian Criminal Code

Ivory Coast (Dogue, Abbe Yao & Associes)	• In-house counsel are considered separate from private practitioners • Privilege does not extend to communications between in-house counsel and directors, officers and employees of company • In-house counsel are obliged to respect professional secrecy regarding information qualified as "business secrets" they receive within the framework of their position with the company and to legal opinions they render to their client (the company); a breach of this obligation is deemed a criminal offense	Applicable legislation is based on French law; The Ivorian Bar Association Regulations
Jamaica (Myers, Fletcher & Gordon)	• All communications between a legal advisor and client made for the purpose of giving or receiving legal advice are privileged; legal advisors include both foreign lawyers and in-house counsel • Privilege does not apply where in-house counsel is acting in his executive capacity	Common law principles; *see Anderson v. Bank of British Columbia* [1876] 2 Ch.D 644; *Balabel v. Air India* [1988] 2 WLR 1036; *Alfred Crompton Amusement Machines Limited v. Customs & Excise Commissioners* [1974] AC 405;
Japan (Asahi Law Offices)	• No concept of attorney-client privilege in Japan • Alternative ways to protect confidential communications between in-house counsel (if admitted in Japan, or foreign law business lawyer registered in Japan) and officers, directors and employees include: duty to hold in confidence secret information obtained during the course of their professional duties; may refuse to testify about their knowledge of such confidential facts; may refuse production of confidential documents to a civil court; may forbid seizure of items containing confidential information of a third party if the lawyer kept or held such items entrusted to him/her in course of the lawyer's business • Any available protection of confidential communications is limited by the rationale that this protection comes from the need to assist the lawyers to uphold their statutory duty of confidentiality	Article 23 of Lawyers Law [Law No. 205 of 1949, as amended]; Article 50 of Special Measures Law concerning the Handling of Legal Business by Foreign Lawyers [Law No. 66 of 1986, as amended]; Japan's Code of Civil Procedure [Law No. 109 of 1996, as amended]; Japan's Code of Criminal Procedure [Law No. 131 of 1948, as amended]
Jordan (Ali Sharif Zu'bi & Sharif Ali Zu'bi)	• There is no rule of law that offers protection of attorney-client communications	

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Kazakhstan (McGuire Woods Kazakhstan)	• Privilege does not apply to in-house counsel • Only licensed advocates are subject to the privilege, and they are not allowed to work as in-house counsel	Law "On Advocacy" (December 5, 1997)
Kenya (Kaplan & Stratton)	• Unclear as to how and if the privilege applies to in-house counsel	
Korea (Hwang Mok Park P.C.)	• Attorney-client privilege does not exist in Korea	
Kuwait (Abdullah Kh. Al-Ayoub & Associates)	• Privilege applies only to independent attorneys and consequently does not apply to communications between in-house counsel and officers, directors or employees of the company they serve	Law No. 42/1964 organizing the legal profession; Civil Code, Law No. 67/1980 governing the relationship between principal and agent
Latvia (Klavins, Slaidins & Loze)	• Communications between in-house counsel and officers, directors and employees of their company are not legally protected from disclosure • Lawyers who are not members of the Latvian Bar Association (such as in-house counsel) are not protected by the privilege • In-house counsel must look to alternative ways of protecting confidential communications, such as confidentiality agreements; but in such cases they cannot maintain the confidentiality of in-house communications when faced with a request for information from the office of prosecutor	Law "On the Office of Prosecutors" (adopted in 1994)
Lebanon (Moghaizel Law Offices)	• Privilege applies only to independent counsel, and consequently it does not apply to communications between in-house counsel and the officers, directors and employees of the company they serve • Contractual agreements are the only alternative means of protecting confidential information, such as employment confidentiality agreements	

Lithuania (Lideika, Petrauskas, Valiunas ir partneriai)	• Privilege does not apply to communications between in-house counsel and the officers, directors and employees of the companies they serve • Privilege only applies to advocates, and they are not allowed to work as in-house counsel • In civil or administrative proceedings, it is prohibited to summon the representative of the company (the in-house counsel if authorized to act as a representative of the company at the trial) as a witness and interrogate him/her on the circumstances he/she became aware while performing obligations as the representative of the company • In-house counsel may insist on a closed trial on the basis that such communications contain commercial and professional secrets (but unlikely to have it granted)	Lithuanian legislation
Luxembourg (Bonn Schmitt Steichen)	• Privilege does not apply to communications between in-house counsel and the officers, directors and employees of the companies they serve; it only applies to attorneys who are members of the Luxembourg bar association (which does not include in-house counsel) • In-house counsel may be subject to rules regarding disclosure of professional secrets (if his/her function consist of giving legal advice to the company itself) • Confidentiality agreements in employment contracts may be useful in order to clarify the position of the in-house counsel	Section 5 of the internal rules of the Luxembourg bar association; Article 458 of the Luxembourg Criminal Code
Malta (Ganado & Associates)	• No distinction between in-house counsel and outside counsel, and privilege applies to communications between in-house counsel and the officers, directors and employees of the companies they serve	Professional Secrecy Act; Code of Ethics and Conduct for Advocates
Mauritius (De Comarmond & Koenig)	• No distinction between in-house counsel and outside counsel, and privilege applies to communications between in-house counsel and the officers, directors and employees of the companies they serve as long as it pertains to the counsel's legal function • Privilege also applies to non-legally qualified person if same is produced by the in-house counsel • Money Laundering Act provides for specific circumstances where the Law Practitioner may be compelled to reveal certain information	English law; Mauritius Criminal Law; Money Laundering Act

Mexico (Goodrich, Riquelme y Asociados)	• Privilege applies to communications between in-house counsel and the officers, directors and employees of the companies they serve • Every professional is committed to strictly keeping the secret of the cases that the clients entrust to them	The Law of Professions and the Federal Civil Code
Monaco (Berg and Duffy, LLP)	• Privilege does not apply to in-house counsel as they are not members of the Monegasque Bar • In-house counsel are ethically obligated to protect and keep confidential communications arising out of their employment with the company, but a Court may oblige in-house counsel to disclose this information	Article 16 of Monaco Law No. 1047 of July 28, 1982; Article 308 of the Monegasque Penal Code; Article 135 of the Penal Procedure Code
Netherlands Antilles (Promes Van Doorne)	• All confidential information between a lawyer and client is protected by the privilege if the lawyer acts in the capacity of a lawyer and uses his capacity for the benefit of the client	Civil Code article 1928 paragraph 2 sub 3
New Zeland (Simpson Grierson)	• No distinction drawn between in-house counsel and those practicing privately, provided that the in-house counsel is acting as lawyer and not in some other capacity • If communication with in-house counsel is not covered by privilege, it may be possible to restrict inspection and the use of certain documentation on the basis that the information is commercially sensitive	
Nicaragua (Alvarado y Asociados)	• No specific laws or regulations pertaining to attorney-client privilege	
Norway (Thommessen Krefting Greve Lund AS)	• Privilege applies to in-house counsel, and communications between in-house counsel and officers, directors and employees of the company they serve are protected from disclosure as long as the information is entrusted to the in-house counsel in their capacity as attorney • Attorney-client information is regarded as privileged regardless of the attorney's nationality • Information received under a specific confidentiality agreement cannot be divulged; and in antitrust or competition cases the privilege prevails over competition rules	Norwegian law

Pakistan (Afridi Angel & Khan)	• The privilege applies when the in-house counsel is an "advocate" (a lawyer registered with a bar council); the client also may not be compelled to disclose any confidential communication that took place between him and the advocate • When the in-house counsel is a "legal adviser" (professionally qualified lawyer not registered with Bar Council), only the client may not be compelled to disclose to the Court any confidential communication that took place between him/her and the legal adviser • Communication must have been confidential and made in course of professional engagement	Pakistan Law
Panama (Arosemena Noriega & Contreras)	• No rules or regulations govern attorney-client confidentiality • Company can adopt internal regulations specifying to whom within the company the in-house counsel can divulge information	
Paraguay (Peroni, Sosa, Tellechea, Burt & Narvaja)	• No distinction between in-house counsel and independent attorneys, and the privilege applies to communications between in-house counsel and the officers, directors and employees of company they serve • Officers of a corporation may withhold documents pertaining to professional advice received from its attorneys	Code of Civil Procedure; Paraguayan Penal code
Peru (Estudio Olaechea)	• Attorney-client confidentiality is protected from disclosure and no distinction is made between in-house counsel and outside counsel • Attorneys have an obligation and right to keep professional secret, and the right not to reveal any confidentiality (includes confidences made to him/her by any third party and by his/her colleagues)	Code of Ethics; Criminal Code; Code of Civil Procedure
Philippines (Romulo, Mabanta, Buenaventura, Sayoc & De Los Angeles)	• Privilege applies to communications between the in-house counsel and officers, directors and employees of a corporation they serve • Duty of lawyer to maintain inviolate the confidence and to preserve the secrets of his client	Rule 138 of the Rules of Court; Cannon 21 of the Code of Professional Responsibility

Portugal (Morais Letao, J. Galvao Teles & Associados)	• Lawyer is bound by the attorney-client privilege, which means absolute confidentiality • No distinction between in-house counsel and outside counsel • All the facts (as well as documents and other information connected to it) that officers, directors or employees disclose to the company's in-house counsel during the exercise of his professional duties are protected • Waiver can be requested with authorization from the Bar Association or allegation and proof that it is absolutely necessary for the defense of attorney or his/her client • Protection of information not covered by the privilege can be obtained contractually	Article 81 of the Estatuto da Ordem dos Advogados (which establishes professional ethics rules for lawyers)
Romania (Nestor Nestor Diculescu Kingston Petersen)	• Privilege applies only to attorneys licensed to practice by the Bar; attorneys may not be "employees" of a commercial company, hence the privilege does not apply to in-house counsel and their communications with the officers, directors and employees of the company they serve • An attorney working exclusively for a commercial company must be engaged as "independent contractor" or "outside counsel" for the privilege to apply	Romanian Law 51/1995
St. Kitts & Nevis (Kelsick, Wilkin & Ferdinand)	• Privilege applies to in-house counsel but only to communications made in their capacity as legal advisors	
Saudia Arabia (Baker Botts L.L.P.)	• Privilege applies to all licensed "advocates" and prohibits disclosure of any secrets entrusted or obtained through the advocate's profession unless it violates a principle of Islamic Law (undefined, but it is widely believed that only egregious crimes would be deemed a violation of "a principle of Islamic Law") • Privilege does not necessarily apply to in-house counsel (most in-house attorneys are not licensed "advocates" in Saudia Arabia); in which case in-house counsel are only subject to a duty, under Labor Regulations, to not reveal the secrets of his employer (which does not amount to a privilege)	Regulation of the Legal Profession; The Saudi Labor and Workmen Regulations, Royal Decree No. M/21 dated 6 Ramadan 1389 H.

Scotland (Maclay Murray & Spens)	• No distinction between solicitor in private practice and in-house counsel regarding privilege • Privilege applies to communications between in-house counsel and officers, directors and employees of their company, provided that the communications relate to a legal matter (as opposed to administrative) • Communications (or documents) outside the scope of solicitor-client privilege may still be privileged if the purpose was of or in contemplation of litigation • Privilege does not apply to in-house counsel in competition matters investigated by the European Commission; however under UK competition laws in-house counsel communications with their client are privileged	Common law;
Singapore (Donaldson & Burkinshaw)	• Privilege likely applies to communications between in-house counsel and client company if it is for the purpose of obtaining or giving legal advice	Legal Profession Act; Evidence Act; English common law is also persuasive in Singapore Courts
Slovak Republic (Cechova Rakovsky)	• Privilege does not apply to in-house counsel and their communications with directors, officers and employees of company • Any privilege in respect to the in-house counsel should be derived from the regulation of business secrets or employment relationships	Labor Code; provisions of the Commercial Code regulating business secrets
South Africa (Bowman Gilfillan Inc.)	• Privilege can be claimed in respect to confidential communications between private corporations and their in-house counsel, provided the communication was confidential, counsel was acting in a professional capacity, the purpose was to give or obtain legal advice, and the communication may not be used for the purpose of the commission of a crime or fraud • Open question as to whether admission to practice is a necessary qualification for privilege to apply to in-house counsel	Common law

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Spain (Uria & Menendez)	• No express regulations of "privileged" documents or communications • The general rule is that professional confidentiality is to be kept with respect to any information received as a consequence of the attorney-client relationship from the client, opposing parties and other attorneys • While there are no express provisions on the subject, it can be understood that the in-house counsel should bear the same obligation of confidentiality and secrecy as outside counsel	Article 437.2 of Organic Law 6/1985 (general rule of professional confidentiality or secrecy); Article 32 of the General Regulation of the Law Profession (Royal Decree 658/2001); Ethical Code approved by the General Council of the Spanish Legal Profession
Sweden (Vinge KB, Advokatfirman)	• Communications between in-house counsel and officers, directors and employees of the companies they serve are not protected from disclosure	
Switzerland (Pestalozzi Lachenal Patry)	• Privilege is only available to external counsel and not to an in-house counsel (even if admitted to the bar) • Confidential information entrusted to the in-house counsel may be protected by the general business secrets of their employer or special business secret (such as bank and securities dealers' secret)	
Taiwan (Tsar & Tsai Law Firm)	• Privilege to protect communications from disclosure is available only in civil discovery proceedings • This limited privilege is available to communications between in-house counsel and officers, directors or employees of the company only if the in-house counsel is an attorney admitted to the bar • There are no alternative methods of protecting communications between an in-house attorney not admitted to the bar and his client	
Thailand (Tilleke & Gibbins International Ltd.)	• Thai law protects the confidentiality of attorney-client communications, including communications involving licensed in-house counsel, unless the client or the Court grants permission to reveal such confidential information	Lawyers Act B.E. 2528 (A.D. 1985) (the Law Society authorized to issue Regulations regarding attorney ethics); Regulation Number 11 of the Regulations on Attorney Ethics B.E. 2529 (A.D. 1986)

Trinidad & Tobago (M. Hamel-Smith & Co.)	• Privilege applies to all confidential communication between an attorney and client that pertains to their professional relationship • The privilege applies to in-house counsel if they have a practicing certificate	
Turkey (Pekin & Pekin)	• Communications between in-house counsel and officers, directors or employees of the company they serve are not treated any differently than communications between attorneys and their clients • Information an attorney obtains from a client in the course of the attorney's practice is confidential and thus protected from disclosure unless waived by client • Privilege additionally governed to in-house counsel of banks, which require in-house counsel (and all other employees) not to disclose any confidential information about the bank, unless as otherwise required by law • Privilege additionally governed to in-house counsel of corporations, which allows for criminal sanctions for disclosure of confidential information legally harmful to another person and obtained in the course of conducting their business practice, unless otherwise required by law	Article 36 of the Law Governing the Legal Profession (Law No. 1136); Banks Act (Law No. 4389, as amended); Penal Code (Law No. 765)
Turks and Caicos Islands (Misick and Stanbrook)	• No legislation or codes of professional conduct that specifically addresses the disclosure of communications between in-house counsel and officers, directors or employees of the companies they serve • All attorneys are required to hold in strict confidence all information acquired in the course of their professional relationship with their clients (and clients of in-house solicitors are their employers)	
United Arab Emirates (Afridi & Angell)	• Privilege applies to licensed advocates and does not necessarily extend in-house counsel • In-house counsel, as employees of their company, have a duty to not reveal the secrets of their employer; but this does not amount to privilege	Law No. 23 of 1991 regarding Regulation of the Advocacy Profession; Law No. 8 of 1980 (the "Labor Law")
Uruguay	• All information received by an attorney from his/her clients is protected from disclosure and subject to criminal sanctions	Section 302 of the Criminal Code

(Guyer & Regules)		
Venezuela (Hoet Pelaez Castillo & Duque)	• No distinction between in-house counsel and other attorneys except with respect to tax matters, which excludes from privilege those attorneys who work as employees of the taxpayer • Privilege covers all communications between attorney and client	Code of Professional Ethics; Code of Criminal Procedure; Code of Civil Procedure
Vietnam (Tilleke & Gibbins Consultants Ltd.)	• There is no privilege under Vietnam law • A lawyer may not practice law as an employee of a commercial firm	
UNITED STATES General Overview	• Prevailing American rule: conversations between a corporation's employees and in-house counsel are protected by the privilege. However, such conversations and corresponding documents are readily susceptible to challenge on grounds that it is business advice that is being given and not legal advice. • *Upjohn v. United States*, 449 U.S. 383 (1981), provides certain criteria to be satisfied for privilege to apply to such communications • Two tests developed in federal courts; one focuses on the employee's position, and the other on why an attorney was consulted	*The Attorney-Client Privilege and the Work Doctrine* (4th ed.), Section of Litigation, American Bar Association; *Upjohn v. United States*; *City of Philadelphia v. Westinghouse Electric Corp.*, 210 F.Supp. 438 (E.D. Pa. 1962); *Harper and Row Publishers, Inc. v. Decjer*, 423 F2d 487 (7th Cir. 1970)

Arizona (Snell & Wilmer LLP)	• Corporations are expressly recognized as clients for purposes of attorney-client privilege • Communications by or to in-house counsel are privileged if made for the purpose of providing legal advice to the corporation; in determining whether the communications are protected the focus is on the nature of the communication rather than the status of the communicator • Privilege does not apply where an investigation is initiated by the corporation and factual communications are made between in-house counsel and other corporate employees, unless communications concern employee's own conduct, conduct is within the scope of employment and conduct can be imputed to the corporation	A.R.S. 12-2234(B); *Samaritan Foundation v. Goodfarb*, 176 Ariz. 497 (1993)
Arkansas (Rose Law Firm, a Professional Association)	• Corporations are expressly recognized as clients for purposes of attorney-client privilege • Privilege applies to communications between in-house counsel and the officers, directors and employees of a corporation if made for the purpose of providing legal advice; purely business or transactional advice given by in-house counsel is not protected	ARK. R. EVID. 502; *Coureau v. St. Paul Fire & Marine Ins. Co.*, 307 Ark. 513; 821 S.W.2d 45 (1991) (citing *Upjohn Co. v. United States*, 449 U.S. 383 (1981))
California (Morrison & Foerster LLP)	• Privilege applies to communications between a client and in-house counsel in the same way that the privilege applies to such communications between a client and outside counsel • Privilege applies to confidential communications seeking or providing legal advice	*State Farm & Cas. Co. v. Superior Court*, 54 Cal. App. 4th 625 (1997)

Colorado (Gorsuch Kirgis LLP)	• Corporations may use the protections of privilege, and this extends to in-house counsel as well as outside counsel • In determining if communications between in-house counsel and corporation's employees are covered, Colorado follows *Upjohn Co. v. United States*, although not all of the "*Upjohn* factors" need to be present for the privilege to apply; communication is protected if an employee makes it in order to convey information needed by corporate counsel to render legal advice • The communication between corporate counsel and corporate employee is protected only if it occurred as a result of the corporation seeking professional advice from an attorney acting as a legal advisor at that time	*Upjohn v. United States*, 449 U.S. 383 (1981); *National Farmers Union Property and Casualty Co. v. District Court for the City and County of Denver*, 718 P.2d 1044 (Colo. 1989) (citing *Upjohn*); *In re M&L Business Machine Co.*, 161 B.R. 689 (D. Colo. 1993); *In re Grand Jury*, 758 F.Supp. 1411 (D. Colo. 1991);
Connecticut (Murtha Cullina LLP)	• Connecticut law is broadly supportive of applying the privilege to protect communications between in-house counsel an employees of a corporation • For privilege to apply, the communication must be made for the purpose of obtaining legal advice and not business advice • Work product doctrine applies to discovery documents prepared by in-house counsel in anticipation of litigation	*Metropolitan Life Ins. Co. v. Aetna Cas. & Sur. Co.*, 249 Conn. 36 (1999); *Morganti National*, 2001 Conn. Super. LEXIS 1751; *Olson v. Accessory Controls & Equip. Corp.*, 254 Conn. 145 (2000); *PAS Assoc.*, 2001 Conn. Super. LEXIS 3392
Delaware (Richards, Layton & Finger, P.A.)	• Communications are protected regardless of whether the lawyer involved is in-house or outside counsel • Privilege is fully applicable where a corporation is the client seeking professional advice, and the privilege may be asserted through its agents; • Privilege does not extend to business advice, even if rendered by an attorney; must be shown that the attorney is acting in his/her capacity as a lawyer and for purposes of rendering legal services on behalf of the corporation; any ambiguity as to multiple roles of in-house counsel may be resolved against application of the privilege	Rule 502 of the Delaware Uniform Rules of Evidence; *Zirn v. VLI Corp.*, Del Supr. 621 A.2d 773 (1993) (citing *Upjohn*); *Grimes v. LCC International, Inc.*, Del. Ch., C.A. No. 16957, 1999 WL 252381, Jacobs, V.C. (Apr. 23, 1999); *Lee v. Engle*, Del. Ch., C.A. Nos. 13323, 1995 WL 761222

Florida (Steel Hector & Davis LLP)	• No distinction between in-house counsel and other attorneys • Privilege applies to communications between in-house counsel and corporation if its purpose is to obtain legal services and it is intended to be confidential • Privilege is only applicable if the in-house counsel is acting exclusively in his or her legal capacity and the communication meets certain requirements; claims of privilege in corporate context are subject to a heightened level of scrutiny in order to prevent corporations from using in-house counsel as shields to thwart discovery	Florida Statutes §90.502; *Shell Oil Company v. Par Four Partnership*, 638 So.2d 1050 (Fla. 5th DCA 1994); *Southern Bell Tel. & Tel., Co. v. Deason*, 632 So.2d 1377 (Fla. 1994)
Georgia (Alston & Bird LLP)	• Privilege applies to communications between in-house counsel and officers, directors or employees of the companies they serve, so long as the communications constituted the seeking or giving of legal advice • Work product doctrine may also protect the work product of in-house counsel	
Guam (Klemm, Blair, Sterling & Johnson, P.C.)	• Unclear whether and to what extent privilege applies to in-house counsel and their communications with officers, directors and employees of corporations they serve • Courts likely to follow California case-law	Guam Rules of Evidence (6 G.C.A. Section 503(c)); Model Rules of Professional Conduct
Hawaii (Case Bigelow & Lombardi)	• Unclear to whether and to what extent privilege applies to in-house counsel and their communications with officers, directors and employees of corporations they serve • Courts likely to follow California case-law	Rule 503 of the Hawaii Rules of Evidence
Idaho (Hawley Troxell Ennis & Hawley)	• The attorney-client relationship exists between in-house counsel and the business entity with which she is employed; client is the business entity, and privilege does not extend to communications with employees, officers or directors in their individual capacities • Privilege in an attorney-client relationship extends to confidential communications obtained by the attorney while acting as attorney for the client and in furtherance of the professional engagement	Rule 502 of the Idaho Rules of Evidence; *State v. Allen*, 123 Idaho 880, 853 P.2d 625 (Ct. App. 1993);

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Illinois (Sonnenschein Nath & Rosenthal)	• Privilege applies to an employee's communication with in-house counsel if it meets the "control group" test: (1) the employee is in an advisory role to top management such that the top management would normally not make a decision in the employee's particular area of expertise without the employee's advise or opinion; (2) that opinion does in fact form the basis of the final decision by those in actual authority • The communication also must be confidential and the lawyer must be acting in his legal capacity; burden is on the party claiming the exemption • The work product doctrine may protect in-house counsel's oral statements in some situations even though the employee is not within the control group	*Consolidated Coal v. Bucyrus Erie Co.*, 89 Ill. 2d 103; 432 N.E.2d 250 (Ill. 1982);
Indiana (Baker & Daniels)	• No discussion of this issue in any Indiana authority;	
Kansas (Foulston Siefkin LLP)	• No distinction made between outside and in-house counsel; however no cases directly addressing this issue • Likely that the privilege applies in situations involving in-house counsel the same way as in situations involving outside counsel	Rule 503 of the Kentucky Rules of Evidence; *Morton v. Bank of the Bluegrass and Trust Co.*, 18 S.W.2d 353 (Ky. Ct. App. 2000)
Louisiana (Lemle & Kelleher, LLP)	• Communications between in-house counsel and the corporation's employees are protected to the extent certain criteria are satisfied (as stated in *Upjohn Co. v. United States*): communication must be confidential, made with a purpose of obtaining or providing legal advice (and the employee is aware it is used for such purpose), and involve a matter falling within a scope of the corporate employee's official duties	*Upjohn Co. v. United States*, 449 U.S. 383 (1981); Article 506 of the Louisiana Code of Evidence; *LGS Natural Gas Co. v. Latter*, 1998 WL 205414; *Landry-Scherer v. Latter*, 1998 WL 205417 (E.D.La. 1998)
Maine (Bernstein Shur Sawyer & Nelson)	• There is no case law on the subject	

Maryland (Piper Rudnick LLP)	• It is clear a corporation can be a client for purposes of the privilege, but unclear how far the protection extends regarding the corporation's employees and agents	*E.I. duPont deNemours & Co. v. Forma-Pack, Inc.*, 718 A.2d 1129 (Md. 1998); *see also Southern Bell Telephone & Telegraph Company v. Deason*, 632 So. 1377 (Fla. 1994) (discussed in considerable detail by Court in *Forma-Pack*)
Massachusetts (Foley Hoag)	• The treatment of communications between in-house counsel and corporate employees is in accord with the prevailing American rule (*see supra* United States, General Overview)	Epstein, *The Attorney-Client Privilege and the Work-Product Doctrine* (4th ed.), Section of Litigation, American Bar Association
Michigan (Butzel Long)	• It appears that Michigan follows the *Upjohn Co. v. United States* formulation with regard to privilege and entity clients, and thus the "subject matter" test is used to determine whether privilege applies to communications between in-house counsel and the officers, directors or employees of the company • Privilege attaches because the corporation is the client and not because the representative is the client	Rule 4.2 of the Michigan professional ethics rules; *Hubka v. Pennfield Twp*, 197 Mich App 117; 494 NW2d 800 (1992); *Upjohn Co. v. United States*, 449 US 383 (1981)
Minnesota (Briggs and Morgan, P.A.)	• It is unclear under Minnesota law to what extent privilege applies to in-house counsel	*Kahl v. Minnesota Wood Specialty, Inc.*, 277 N.W. 2d 395 (Minn. 1992)
Mississippi (Butler, Snow, O'Mara, Stevens & Cannada, PLLC)	• Privilege may attach to certain types of confidential communications between corporate in-house counsel and a corporate officer, director, or employee when the communication is related to furthering the rendition of professional legal services on behalf of the corporation and is solely of a personal or a business nature	Mississippi Rule of Evidence 502

Missouri (Armstrong Teasdale LLP)	• Privilege applies to communications between a corporation's in-house counsel and its directors, officers and employees if (1) the communication was made for the purpose of securing legal advice; (2) the employee making the communication did so at the direction of his corporate superior; (3) the superior made the request so that the corporation could secure legal advice; (4) the subject matter of the communication is within the scope of the employee's corporate duties; and (5) the communication is not disseminated beyond those persons who, because of the corporate structure, need to know its contents	*Harper and row Publishers, Inc. v. Decker*, 423 F.2d 487 (7th Cir. 1970)
Montana Crowley, Haughey, Hanson, Toole & Dietrich P.L.L.P.	• Privilege applies to legal memoranda between in-house counsel and members of the corporation's management where in-house counsel were acting solely in their capacity as attorneys, the memoranda were addressed only to members of the corporation's management, and the memoranda was intended to be confidential • Communications not relating to the provision of legal advice were not privileged • Work product doctrine may protect the work product of in-house counsel prepared in anticipation of litigation	*Union Oil Co. of California v. District Court*, 160 Mont. 229, 503 P.2d 1008 (1972); *Kuiper v. District Court of Eighth Judicial District*, 193 Mont. 452, 632 P.2d 694 (1981); Montana Code Annotated Section 26-1-803; Montana Rules of Civil Procedure 26(b)(3)
Nebraska (Baird, Holm, McEachen, Pedersen, Hamann & Strasheim LLP)	• There is no case law of Nebraska that address questions such as which communications are privileged, who in the corporate hierarchy can invoke the privilege, who may waive it, or to whose benefit it operates	
Nevada (Lionel Sawyer & Collins)	• It is likely that communications to in-house counsel are protected by the privilege provided the statutory requirements (NRS 49.035-49.115, rules regarding the attorney-client privilege) and the *Upjohn* test are satisfied. Particularly important is the purpose of the communication (of obtaining legal advice) and the role the in-house attorney is serving • For purposes of attorney-client privilege, "client" is defined to include "corporation" and "lawyer" is defined to include "in-house counsel"	NRS 49.035-49.115; *Wardleigh v. Second Judicial Dist.Court.*, 111 Nev. 345, 891 P.2d 1180 (1995); *Upjohn Co. v. United States*, 449 U.S. 383 (1981); *Discovery Commissioner Opinion No.2, Grassinger v. Trudel* (August, 1988)

New Hampshire (Sheehan Phinney Bass + Green, P.A.)	• Privilege applies to communications between in-house counsel and the company for which such counsel is employed • Privilege extends to representatives of the client authorized to obtain legal services or act upon it ("control group" test) • Client is defined as any conceivable entity that might seek to obtain legal services • Communication must be intended to be confidential from its inception • The entire in-house staff is covered by the privilege to the benefit of the client • Those who are receiving the legal services are generally known as "privileged persons," and in-house counsel can share privileged communication with such "privileged persons" and other such individuals who are presumed to need to know of the communication in order to act for the corporation • Rules of evidence also protect documents and tangible things if prepared in anticipation of litigation	Rule 502 of the New Hampshire Rules of Evidence; revised Uniform Rules of Evidence (1974)
New Jersey (Pitney, Hardin, Kipp & Szuch LLP)	• Privilege applies to communications between in-house counsel and officers, directors or employees of the companies they serve who are deemed members of the so-called "litigation control group" (current agents and employees significantly involved in the determination of the organization's legal position in the matter, whether or not in litigation) • Communications must be made by the attorney in his or her professional capacity and be legal in nature	New Jersey Rules of Professional Conduct 1.13; N.J.S.A. 2A:84A-20; *Dontzin v. Myer*, 301 N.J. Super. 501 (App.Div. 1997); *In re Kozlov*, 79 N.J. 232 (1979)
New York (Pitney, Hardin, Kipp & Szuch, LLP)	• Privilege applies to communications with attorneys whether they are corporate staff counsel or outside counsel • The communication between in-house counsel and corporation's employees must be "predominantly of a legal character" and made in course of a professional relationship	C.P.L.R. 4503; *Rossi v. Blue Cross & Blue Shield of Greater N.Y.*, 542 N.Y.S.2d 508 (N.Y.1989); New York Disciplinary Rule 4-101; *Priest v. Hennessy*, 431 N.Y.S.2d 511 (N.Y. 1980)

North Carolina (Womble, Carlyle Sandridge & Rice, PLLC)	• Privilege applies to in-house counsel in the same way as to other attorneys • In-house counsel must be functioning as a legal advisor when the communication occurs in order for the privilege to apply • If privilege does not apply, work-product doctrine may offer protection of communication if the document was generated in anticipation of litigation	*Evans v. United Serv. Auto. Ass'n*, 541 S.E.2d 782 (N.C. App. 2001); *State v. McIntosh*, 444 S.E.2d 438 (N.C. 1994); N.C. Gen. Stat. § 1A-1, Rule 26(b)(3)(2001)
North Dakota (Nilles, Hansen & Davies, Ltd.)	• Privilege applies, subject to waiver and certain exceptions, to those communications which fall within the scope of the privileged and are made between in-house counsel and the corporate client, or representative of client (not limited to "control group" and extends to include people specifically authorized to provide information to lawyer or receive information related to legal services)	N.D.R. Evid. 502
Northern Mariana Islands (White Pierce Mailman & Nutting)	• In general, privilege will apply to confidential communications concerning legal matters between a corporation and its in-house counsel • Privilege applies if the communication was made for the purpose of securing legal advice for the corporation, the employee made the communication at the direction of a corporate superior, the subject matter of the communication is within the scope of the employee's corporate duties, and evidence of intent to maintain confidentiality can be shown	Commonwealth Rules of Evidence 501
Ohio (Calfee, Halter & Griswold LLP)	• Communications between an in-house counsel and an employee fall within the statutory attorney-client privilege • Ohio courts also follow *Upjohn v. United States*, recognizing that the common-law attorney-client privilege extends to communications between a corporate counsel and its employee under certain circumstances	Ohio Revised Code Section 2317.02; *Upjohn v. United States*, 449 U.S. 383 (1979); *Bennet v. Roadway Express, Inc.*, 2001 Ohio App. LEXIS 3394 (Summit Cty. 2001)

Oklahoma (Crowe & Dunlevy)	• Law is not well developed on this issue, but there is authority to suggest that courts would apply privilege to communications between in-house counsel and corporate employees so long as the primary purpose of the communications was obtaining legal advice • There is also some authority to suggest the privilege could extend to employees who have "speaking authority" for the corporation	12 Okla. Stat. § 2502 (defining attorney and client); *LSB Industries, Inc. v. Commissioner of Internal Revenue, Internal Revenue Service*, 556 F. Supp. 40 (W.D. Okla. 1982); *Samson Resources Co. v. Internorth, Inc.*, 1986 U.S. Dist. LEXIS 30971; Rule 4.2 of the Oklahoma Rules of Professional Conduct; *Fulton v. Lane*, 829 P.2d 959 (Okla. 1992)
Oregon (Davis Wright Tremaine LLP)	• Privilege between in-house counsel and employees of their company are the same as those that apply to outside counsel and their corporate clients • Representative of client may be any employee of the client "(A) Who provides the client's lawyer with information that was acquired during the course of, or as a result of, such person's relationship with the client as principal, employee, officer or director, and is provided to the lawyer for the purpose of obtaining for the client legal advice or other legal services of the lawyer; or (B) Who, as part of such person's relationship with the client as principal, employee, officer or director, seeks, receives or applies legal advice from the client's lawyer." Or. Ev. Code 503(1)(d).	Oregon Evidence Code Rule 503(2); *Oregon Health Sciences Univ. v. Haas*, 325 Or. 492 (1997)
Pennsylvania (Eckert Seamans Cherin & Mellott, LLC)	• Pennsylvania follows the "control group" test and corporations can claim privilege for communications between its in-house counsel and its employees who have authority to act on its behalf (which rests with its officers and directors) • Privilege only applies if communication is made for the purpose of obtaining legal advice; communications also not privileged if it occurs in the presence of a non-privileged third party or of the adverse party; where the client challenges the attorney's professional conduct or competence; or where the client's rights will not be adversely effected by revealing a communication, but justice will be furthered with its disclosure	42 PA. CON. STAT. §598 (West 2001); *City of Philadelphia v. Westinghouse Electric Corp.*, 210 F.Supp. 483 (E.D. Pa. 1962); *In re Ford Motor Co.*, 110 F.3d 954 (3rd Cir.); 15 PA. CON. STAT. §1721 (West 2001);

Puerto Rico (McConnel Valdes)	• Privilege likely applies to communications between in-house counsel and the officers, directors, or employees of the corporations they serve	Rule 25 of the Rules of Evidence of Puerto Rico
Rhode Island (Tillinghast Licht Perkins Smith & Cohen, LLP)	• No law of Rhode Island that addresses the specific circumstances in which a corporation may invoke the privilege regarding communications with its in-house counsel • Based on the Rhode Island law on attorney-client privilege, it is likely that a corporation's communications with its in-house attorney are privileged only if they are made for the purpose of obtaining legal advice	Rules of Professional Conduct; *Callahan v. Nystedt*, 641 A.2d 58 (1994); *State v. Driscoll*, 360 A.2d 857 (1976)
South Carolina (Wyche, Burgess, Freeman & Parham, P.A.)	• Privilege applies to the same extent as communications with outside counsel • Privilege likely only applies to confidential communications made for the purpose of giving or obtaining advice that is predominantly legal in nature	
South Dakota (Lynn, Jackson, Shultz & Lebrun, P.A.)	• No distinction made between in-house counsel and outside counsel • Privilege likely applies equally to confidential communications of in-house counsel that constitute professional legal services to the employer corporate client • The work-product doctrine would also be equally applicable to in-house counsel	Statutory lawyer-client privilege SDCL 19-13-2 through 19-13-4
Tennessee (Bass, Berry & Sims, PLC)	• Privilege applies to communications between in-house counsel and officers, directors or employees when the purpose is to secure legal advice from counsel (heightened scrutiny of such communications to ensure that a legal role was being assumed) • Even if communication not privileged in and of itself, confidential communication may be protected from disclosure through a protective order or injunction	Tenn. Code. Ann. §23-3-150 (West 2001); *Miller v. Federal Express Corp.*, 186 F.R.D. 376 (W.D. Tenn. 1996)

Utah (Van Cott, Bagley, Cornwall & McCarty)	• The corporate attorney-client privilege applies to confidential communications where legal advice is sought and the communications take place between the lawyer and an authorized employee • Privilege is not restricted to "control" groups, and the authorized employee can be virtually any employee of the corporate entity • Work-product doctrine is also equally applicable to in-house counsel as to outside counsel	Rule 504 of the Rules of Evidence
Vermont (Downs Rachlin Martin PLLC)	• In-house counsel may assert the privilege if they provide similar legal services as would be rendered by outside counsel • Representative of client is restricted to two categories: (1) "control group" (includes officers, directors, persons who have direct authority to control or substantially participate in a decision to be taken on the advice of a lawyer, or have the authority to obtain legal services or act on the legal advice rendered); (2) person not a member of a "control group" to the extent necessary to effectuate legal representation of the corporation	Vermont Rule of Evidence 502; 12 V.S.A. §1613
Virgin Islands (Dudley, Tooper and Feuerzeig, LLP)	• Privilege extends to communications between organizations and their in-house counsel and is subject to same restrictions as communications between clients and outside counsel • Communication must be made in confidence and for the purpose of obtaining or providing legal assistance	The Restatement (Third) of the Law Governing Lawyers §72 cmt. c, §73 cmt. i (1998) [in absence of local laws to the contrary, Restatement of Law approved by the American Law Institute are the rules of decision in U.S. Virgin Islands]
Virginia (McGuireWoods LLP)	• In-house lawyers can have privileged conversations with employees of companies they represent	*Owens-Corning Fiberglas Corp. v. Watson*, 243 Va. 128, 413 S.E.2d 630 (1992); *Inta-Roto, Inc. v. Aluminum Co.*, 11 Va. Cir. 499 (Henrico 1980); *Henson v. Wyeth Lab. Inc.*, 118 F.R.D. 584 (W.D. Va. 1987)

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Washington (Davis Wright Tremaine LLP)	• No distinction between in-house counsel and other attorneys for purposes of the privilege • For privilege to apply, communication must be given in course of legal representation and communication must be legal in nature	Wash. Rev. Code 5.60.050(2)(a)
Washington, DC (Steptoe & Johnson LLP)	• Privilege extends to communications with in-house counsel and there is no apparent distinction between in-house and outside counsel	Rule 49(c)(6) of the District of Columbia Court of Appeals Rules
West Virginia (Jackson & Kelly PLLC)	• Privilege extends to communications with in-house counsel if it can meet the attorney-client privilege requirements (both parties contemplated that the attorney-client relationship does or will exist, attorney acting in capacity as legal advisor, communication is confidential) • When a business organization makes its attorney the corporate designee for purposes of responding to matters set forth in a notice of deposition, the privilege is waived with regards to matters about which the attorney is designated to testify	*State v. Burton*, 163 W.Va. 40, 254 S.E.2d 129 (1979); *State ex rel. United Hospital Center, Inc. v. Bedell*, 199 W.Va. 316 (1997)
Wisconsin (Michael Best & Friedrich LLP)	• No apparent distinction between in-house counsel and outside counsel	Section 905.03 *Wis. Stats*
Wyoming (Brown, Drew & Massey, LLP)	• Privilege applies to communications between in-house counsel and individuals within the organization for which they serve • To determine who is a party in the corporate context that can benefit from the privilege, Wyoming courts reject the "control group" test and instead use the "alter ego" approach: includes corporate employees whose acts or omissions in the matter are binding or imputed on the corporation, or employees implementing the advice of counsel	*Strawser v. Exxon Co., U.S.A., a Div. Of Exxon Corp.*, 843 P.2d 613 (Wyo. 1992)

In-House Counsel and the Attorney Client Privilege : A Lex Mundi Multi-jursidictional Survey

LEGAL PROFESSIONAL PRIVILEGE

THE ISSUES FOR MULTINATIONAL BUSINESSES WITH OPERATIONS IN EUROPE

June 2004

Setting the Scene

Obtaining the maximum possible protection for advice given to business through legal professional privilege is critical, particularly for multinational companies. In-house counsel seeking to reduce the risks of damaging disclosure and ensure that the business is able to receive secure advice on compliance or on a specific issue which may give rise to litigation, are faced with a very wide range of varying and often ill defined approaches to privilege in different jurisdictions.

The problems in this are rapidly becoming more acute with increasing co-operation between regulatory authorities internationally (particularly in the antitrust field). There is also increasing forum shopping by claimants in international disputes by, for example, seeking to take advantage of the beneficial costs and class action aspects of the US Civil system (and, again in the antitrust field, of treble damages). Three recent high profile cases which illustrate these converging issues are:-

- ***Akzo Nobel Chemicals Limited and Akcros Chemicals -v- The Commission*** - in an interim ruling on 30 October 2003 the Court of First Instance ("CFI") precluded the Commission from obtaining immediate access to documents seized on a dawn raid, and over which privilege was asserted, pending a wider review of current EC case law, including in relation to the status of communications between companies and their in-house lawyers (see further below).

- ***F Hoffman - La Roche -v- Empagran*** - on 14 June 2004 the US Supreme Court ruled that foreign vitamin buyers could not use the US courts to sue for damages arising from international price fixing of vitamins where a sufficient adverse domestic effect could not be shown in the US.

- ***AMD -v- Intel*** - on 21 June 2004 the US Supreme Court ruled that US law authorises, but does not require, a Federal District Court (in this case in San Jose, California) to provide judicial assistance to foreign or international

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tribunals or to "interested persons" in proceedings abroad in the context of an application by AMD to obtain documents which it wishes to hand over to the European Commission as evidence in a competition investigation.

Although these are all antitrust cases, the trends that they highlight should also cause in-house counsel, particularly of global businesses, to consider how advice can best be protected generally and in particular in areas of sensitivity or high risk. Clear examples would be the compliance advice and internal investigations in which many in-house counsel are increasingly involved in the corporate governance field, including in response to Sarbanes Oxley.

Some of the key aspects which need to be taken into account, particularly from a European perspective, are identified below, but the complexity of the picture is such that this note does no more than briefly set the scene. A distinction must necessarily be drawn in relation to privilege between the approach taken by the EU Commission in the competition field and privilege in other contexts.

Privilege in EC Competition Law

In Europe the Commission is effectively at the forefront of seeking to restrict the scope of privilege, which it sees as a potential cloak to avoid effective compliance and enforcement in the competition field. It particularly regards advice given by in-house lawyers to business as a useful source of evidence in investigations and dawn raids.

The AM&S case (***Australian Mining and Smelting Europe Limited -v- the Commission***) in 1982 established in relation to European Competition law that:-

- Communications between in-house lawyers and their client employer would **not** be regarded as privileged.
- Communications between external lawyers not professionally qualified in the EU and their client business would **not** be privileged.

The reasoning behind the AM&S decision was that in-house lawyers as employees were not capable of exercising the same degree of independence as lawyers in external law firms. This is the position also taken generally by the national Bar Associations in a number of EU jurisdictions (see below).

The AM&S case led to the formation of the European Company Lawyers Association ("ECLA") which has consistently lobbied for the extension of privilege to in-house corporate counsel and which is participating in the Akzo case through an amicus curae brief together with the Council of Bars and Law Societies of the European Union ("CCBE"), the Association of Corporate Counsel Europe ("ACCE") and other interested parties.

The Akzo case (see above) concerned a Commission dawn raid at the premises of Akcros Chemicals, a subsidiary of Akzo Nobel based in Manchester. Eversheds attended this raid for Akzo Nobel/Akcros and on their behalf argued that certain documents to which the Commission investigators wanted access were privileged. In its subsequent interim ruling, the CFI said that there was prima facie evidence that the AM&S decision should be reviewed at a full hearing, which is likely to take place later this year or early in 2005.

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Although there is therefore the prospect that the Akzo case may provide an opportunity for a revised ruling on the status of in-house legal advice in the context of EC Competition Law, it is not likely to have an impact on privilege in other respects, notably:-

- The approach taken by national competition authorities in dawn raids which they conduct.
- The status of advice given by non EU qualified lawyers in the context of a Commission dawn raid, as this is not strictly an issue in the Akzo case.
- The position outside the competition field generally in relation to other regulatory investigations or litigation.

Privilege in Europe Generally

All European countries recognise privilege on some basis in relation to advice from suitably qualified external lawyers, but the basis and scope of the protection available varies in each jurisdiction as does the procedure and practice of national regulatory authorities and courts. Although the impending directive on Europe's internal market in services will include the legal profession and there are pressures and steps towards harmonisation, there is no clear prospect as matters stand that all of these anomalies will be eradicated in the foreseeable future. A number of general points can however be made to give general guidance, subject to the caveat that specific advice should be sought in relation to issues concerning any particular jurisdiction.

A key aspect of privilege in relation to civil litigation is the extent of the obligation of disclosure. In the UK (as in the US), parties to proceedings are required to give wide disclosure including documents which are harmful to their case. This is not generally the position in the rest of Europe where parties can select what documents they choose to submit to prove or defend their claim. This is however subject to procedures which enable a litigant to apply for specific disclosure and these vary from one jurisdiction to another.

In many European jurisdictions the rights and obligations arising from privilege derive from the penal code and potentially, violation may give rise to a criminal offence. In the US and England, where the concept of privilege has been developed through case law, privilege can be waived by the client. In France there is no law that requires or permits disclosure of professional secrets even where the lawyer is called upon to give evidence in legal proceedings. Even if the client consents to disclosure of the secret, the lawyer cannot be forced to disclose it.

The scope of privilege is also a critical issue. In some European jurisdictions information communicated to a lawyer by his client or other parties may be subject to the rights and obligations of professional privilege on the basis that they are confidential, without any functional analysis of how such information relates to the giving of legal advice. In the UK, by contrast, recent case law (Three Rivers -v- Bank of England) cuts down the ambit of privilege to communications which primarily relate to legal rights and obligations excluding, for example, advice given by lawyers which may be considered presentational.

Differences particularly arise in the approach taken in a range of countries across Europe as to the status of advice given by in-house lawyers. The table opposite gives a general indication of where such advice may be privileged and where, as matters stand, it will not be. The bar associations of Italy and Austria have been particularly

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prominent in opposing any general extension of privilege to in-house lawyers. In some countries, such as Belgium, in-house lawyers have formed their own associations with their own professional rules and disciplinary procedures, membership of which may enable them to claim privilege.

As an example to illustrate the practical impact of this complex picture, envisage that the US in-house lawyer of a multinational company is discussing legal issues with his in-house colleagues in subsidiaries in England, Austria and Belgium. All produce the same note for the Board of Directors of their relevant local subsidiary:-

- England - likely to be privileged although a Court would need to be satisfied that its primary purpose was to advise on legal rights and obligations as opposed to more general business advice.
- Austria - not privileged.
- Belgium - possibly privileged if the in-house lawyer was a member of the relevant in-house lawyers professional association.

Privilege in Europe

Jurisdiction	Privilege / Professional Secrets for suitably qualified external lawyers	For In-House Lawyers
Austria	ü	X
Belgium	ü	ü[1]
Bosnia & Herzegovina	ü	X
Bulgaria	ü	X
Cyprus	ü	X[2]
Czech Republic	ü	X
Denmark	ü	X
Finland	ü	X
France	ü	X[3]
Germany	ü	ü
Greece	ü	ü
Hungary	ü	X
Ireland	ü	ü
Italy	ü	X
Luxembourg	ü	X
Norway	ü	ü

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Jurisdiction	Privilege / Professional Secrets for suitably qualified external lawyers	For In-House Lawyers
Poland	ü	ü
Portugal	ü	ü
Romania	ü	ü
Spain	ü	ü
Sweden	ü	X
Switzerland	ü	X
Turkey	ü	ü
Ukraine	ü	X
United Kingdom	ü	ü

[1]Provided the lawyer is a member of the Belgian Institute of Company Lawyers

[2]Unless the lawyer is qualified to practice advocacy, or the documents are addressed and received in relation to obtaining legal advice from an advocate or in respect of pending or contemplated litigation

[3]The position in relation to in-house lawyers is currently being reviewed by the Paris Bar.

Steps to Consider

In-house lawyers of multinational businesses face a huge challenge in making sense of this complex picture to maximise the protection afforded by privilege. Identified risks need specific advice but there are some general and practical steps that can be taken:-

- Identify the highest risk areas for the business where the disclosure of advice would potentially be most damaging, eg antitrust/competition and corporate governance issues.
- Identify sensitive areas where cross jurisdictional advice is being given, particularly between members of the in-house team. Ensure that there is an understanding of the relevant privilege and disclosure implications in each of the relevant jurisdictions concerned. Where there is a particular risk that in-house advice would not be privileged, external advice should be considered.
- Where disputes arise or litigation is contemplated added care should be taken in relation to the creation of documents and advice in relation to that dispute, within the business.

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- Ensure that the business understands in broad terms that sensitive documents should not be created before the risks of committing communications to writing, even to in-house counsel, has been discussed orally.
- Consider what meetings in-house or external lawyers should be present at within the business and how board minutes should be prepared and by whom. Bear in mind that drafts may be just as susceptible to disclosure as the final version of the document.
- Ensure that you have a document retention policy and appropriate protocols in relation to emails. Given the more informal nature of email they may provide evidence of matters which would never have been recorded in more formal documentation. Increasingly regulatory investigations focus on email.
- Restrict the circulation list of sensitive communications as far as practical. The same communication sent to a member of the in-house legal team or external lawyer may not be privileged if sent or copied to a manager in the business. The extent of circulation may also cast doubt (at least in the UK and US) on whether a document falls within the scope of privilege.
- Photocopies of sensitive or privileged documents should equally be kept to a minimum.
- Clearly mark documents which you regard as legally privileged. The label may not be determinative but at least it will make the claim and increase the prospect that the status of the document is not overlooked. This will assist in pressured situations such as dawn raids.
- Keep sensitive documents, for which you would claim privilege, together and in a file which is clearly marked to show their privileged status.
- As far as possible record legal advice you or your external lawyer are giving separately from wider business discussions, even for example if they take place in the same meeting.
- Be careful not to waive privilege in relation to a document, for example by letting a regulatory investigator view its contents as opposed to simply who it is from and who it is addressed to. Equally, be aware that waiver of privilege in relation to one document which forms part of a category may be deemed to amount to waiver of privilege in relation to the entire category.

ASSOCIATION OF CORPORATE COUNSEL

2006 ANNUAL MEETING

San Diego, California
October 23 - 25, 2006

Program 005:
"A Comparison of Solicitor-Client Privilege"

Hypotheticals

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Program 005: A Comparison of Solicitor Client Privilege
Hypotheticals

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Hypothetical 1

While working for your client, you compile information from public documents about your client.

(a) Is that information protected by the attorney-client privilege?

YES NO

(b) Is that information protected by your ethical duty of confidentiality?

YES NO

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Hypothetical 2

You are litigating in a United States court. You have claimed privilege protection for communications between one of your in-house lawyers stationed in the United States and a manager in Europe.

What law is the United States court likely to apply to these communications?

UNITED STATES EUROPEAN COUNTRY

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Hypothetical 3

You are litigating in a United States court. You have claimed privilege protection for communications between one of your Asian-based lawyers and a manager working in the same Asian country.

What law is the United States court likely to apply to these communications?

UNITED STATES ASIAN COUNTRY

Hypothetical 4

You are claiming privilege protection for memoranda that one of your company's vice presidents prepared but never sent to a company lawyer. You are also claiming privilege protection for e-mails between two of your marketing employees, which were not sent by or to a lawyer.

(a) Can the attorney-client privilege ever protect uncommunicated client memoranda?

YES NO

(b) Can the attorney-client privilege ever protect client-to-client communications?

YES NO

Hypothetical 5

You are working on a transaction involving your employer (a U.S. company) and its overseas subsidiary.

What are the ramifications of this joint representation?

Hypothetical 6

Your client/employer is thinking of "spinning off" a foreign subsidiary.

(a) If your client/employer sells the stock of the subsidiary, who will own the privilege?

YOUR CLIENT/EMPLOYER THE NEW MANAGEMENT

(b) If your client/employer sells the assets of the subsidiary, who will own the privilege?

YOUR CLIENT/EMPLOYER BUYER OF THE ASSETS

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Hypothetical 7

The purchaser of your former subsidiary's stock has filed a lawsuit against your client/employer alleging its failure to pay for an environmental clean-up under the transactional documents.

(a) May the plaintiff obtain your files about the "spin" transaction?

YES NO

(b) May you advise your client/employer in connection with the litigation?

YES NO

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Hypothetical 8

One of your client/employer's executive vice presidents has asked that you represent her in several matters.

May you represent your client/employer's executive vice president in:

(a) Reviewing her employment contract with your client/employer?

YES NO

(b) Purchasing a house?

YES NO

(c) Defending a sexual harassment claim (you would be representing your client/employer and the executive)?

YES NO

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Hypothetical 9

You are conducting an investigation, and need information from various corporate employees.

Will the privilege cover your communications with:

(a) An executive vice president?

YES NO

(b) A regional manager?

YES NO

(c) An hourly assembly-line worker?

YES NO

Hypothetical 10

You are conducting an investigation, and need information from a former company employee.

Will the privilege protect your communications?

YES NO

Hypothetical 11

Your company has increasingly outsourced many of its functions. While conducting an investigation, you find that you need information from non-employee participant contractors who spend every day at one of your plants.

Will the privilege protect your communications?

YES NO

Hypothetical 12

Your client/employer is planning a large corporate transaction. You need to interact with various other consultants.

Will the privilege cover your communications with:

(a) Your company's investment banker?

YES NO

(b) Your company's public relations agency?

YES NO

(c) The translation bureau your client has selected to assist in the transaction (which will take place in Korea)?

YES NO

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Hypothetical 13

Your company just fired its CFO. One of your IT specialists told you that the former CFO's company computer contained communications between the CFO and his private lawyer.

Can the CFO claim privilege protection for those communications?

YES NO

Hypothetical 14

Your company just fired its CFO. The CFO has asked to see privileged communications that he wrote while working for your client/employer.

Is a court likely to give the former CFO access to these privileged communications?

YES NO

Hypothetical 15

Your client/employer is involved in litigation, and you have been asked to produce some memoranda that you never sent to your client.

Is the privilege likely to cover your uncommunicated memoranda?

YES NO

Hypothetical 16

Your client/employer is involved in litigation, and you have been asked to produce memoranda in which you described to your client a communication you had with a government regulator.

Is the privilege likely to cover your memoranda?

YES NO

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Hypothetical 17

You just discovered that your associate general counsel (who had not been required to join the bar of the state where she works) let her license lapse five years ago because she did not attend CLE courses and pay the required yearly dues.

Will the privilege protect communications between the associate general counsel and company employees over the last five years?

YES NO

Hypothetical 18

You work at your client/employer's headquarters, in a state where you are not licensed (that state's rules allow such activity).

Will the privilege protect your communications with client/employer representatives?

YES NO

Hypothetical 19

You client/employer's in-house lawyers work at its U.S. headquarters, at its plant in the United Kingdom and at its sales headquarters in France.

Will the privilege protect communications between company employees and the in-house lawyers in:

(a) The United States?

YES NO

(b) The United Kingdom?

YES NO

(c) France?

YES NO

Hypothetical 20

You are working on a transaction in the Netherlands, and must communicate with a foreign patent agent stationed in the Netherlands.

Will the privilege protect your communications with the foreign patent agent in the Netherlands?

YES NO

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Hypothetical 21

You are assisting your client in a large transaction, and are considering involving two consultants.

Will the privilege protect your communications with:

(a) The company's long-standing environmental consultant, whom your client/employer's president has asked you to retain and work with to prepare an environmental survey for the company's use in the transaction?

YES NO

(b) A foreign banking consultant that you think you need to provide advice on the Argentine bank regulations?

YES NO

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Hypothetical 22

Your client/employer' Sales Manager has advised her senior assistants to copy you on e-mails they send to her, and to invite you to meetings in which they will be discussing very sensitive marketing regulations.

Will the privilege protect:

(a) The e-mails copied to you?

YES NO

(b) Communications at the meetings you attend?

YES NO

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Hypothetical 23

As an outside lawyer, you have just received discovery asking for various information and documents relating to your representation of your largest client.

Will the privilege protect:

(a) Your client's identity?

YES NO

(b) The total amount of fees your client paid you last year?

YES NO

(c) The date and duration of every meeting you had with your client last year?

YES NO

Hypothetical 24

Two years ago, your client/employer's chief environmental officer sent you a memorandum outlining the factual background of a serious spill of toxic chemicals. The officer asked for your legal advice about the spill. Plaintiffs in a large lawsuit against your client/employer have now sought the memorandum in discovery.

Will the privilege protect:

(a) The factual portion of the memorandum?

YES NO

(b) The request for legal advice?

YES NO

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Hypothetical 25

As the in-house lawyer chiefly responsible for your client/employer's overseas transactions, you often provide memoranda outlining the legal issues and also providing some practical advice based on your knowledge of other countries' customs.

Will the privilege protect your memoranda?

YES NO

Hypothetical 26

An aggressive plaintiff has claimed that your company destroyed pertinent documents, and now asserts the crime-fraud exception in an effort to obtain communications that you sent and received from company employees.

Does the crime-fraud exception apply to communications relating to document spoliation, even though it is not a crime and not a fraud?

YES NO

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Hypothetical 27

A plaintiff is suing your client/employer, claiming that it engaged in a fraudulent scheme. The plaintiff seeks production of memoranda that you sent your client, claiming application of the "crime-fraud exception."

Is the court likely to protect as privileged your memoranda if:

(a) You can establish beyond question that you were unaware of any fraudulent intent by your client?

YES NO

(b) The communication did not facilitate the alleged crime or fraud, but would provide evidence of it?

YES NO

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Hypothetical 28

You are attending your client/employer's board meeting, and are on the agenda right after the investment banker's report about an upcoming financing transaction.

If the investment banker stays for your presentation, will the privilege protect it?

YES NO

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Hypothetical 29

Your client/employer's media relations folks have been working with you to prepare a draft press release about your client's proposed acquisition of another company.

Will the privilege protect:

(a) The first draft that your media relations person sent to you and four other business executives for your review?

YES NO

(b) Your handwritten suggestions that you wrote in the margin of one of the drafts?

YES NO

(c) The final draft that reflects your input?

YES NO

Hypothetical 30

Your client/employer had worked for several years with a distributor in Asia. A competitor has threatened to sue you and the distributor for what it alleges to be improper trade practices. You and the distributor are also considering expanding your operations to Latin America.

Will the privilege apply to:

(a) Communications between you and the distributor's employees relating to the threatened law suit?

YES NO

(b) Communications between you and the distributor's employees relating to the Latin American proposal?

YES NO

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Hypothetical 31

You want to hire two lawyers from the law firm that represents one of the defendants in litigation in which you represent the plaintiff. You have sued several defendants in that litigation, and all of them (including the two lawyers' client) have entered into a common interest agreement. The two lawyers' client will consent to your continued representation of the plaintiff, as long as you screen the lawyers from the litigation once they join your firm.

May you hire the two lawyers without risking disqualification from representing the plaintiff in the litigation against the defendants?

YES NO

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Hypothetical 32

You client is one of America's best known women executives, famous for her homemaking and entertaining skills -- which she has parlayed into an enormous and successful company. After being accused of insider trading, she writes an e-mail to you with her memory of the trade, and later sends a copy of the memorandum to her daughter. After she is indicted, the government seeks access to the memorandum.

Is the court likely to find that your client's memorandum is privileged?

YES NO

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Hypothetical 33

You are defending your client/employer in high-stakes litigation, in which the plaintiff claims that various company representatives waived the privilege.

Will the court continue to protect privileged communications:

(a) That your client/employer's executive vice president gave to another company?

YES NO

(b) That one of your company's brand-new sales persons gave to a customer?

YES NO

(c) That a former employee took when she left the company and has since given to the plaintiffs.

YES NO

Hypothetical 34

You represented your client/employer and one of its plant managers in civil litigation brought by an adjoining landowner. The state government is now investigating criminal charges based on the same incident. The government wants your client/employer to cooperate by disclosing to the government memoranda you prepared during your representation of the company and the executive.

May you disclose the memoranda without the executive's consent?

YES NO

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Hypothetical 35

The U.S. government is investigating your client/employer in connection with possible illegal immigration charges. The government has asked for copies of various privileged communications, and has offered to enter into a confidentiality agreement with your client/employer.

Will disclosing the privileged communications to the government waive the privilege?

YES NO

Hypothetical 36

Your client/employer's outside auditor has asked to see your analysis of a recent currency transaction, which you prepared with no litigation on the horizon.

Will disclosure of your memorandum to the outside auditor waive the privilege?

YES NO

Hypothetical 37

You are supervising your client/employer's enormous document production in a large antitrust case. You just discovered that ten privileged documents somehow "slipped through" your privilege review process.

Will your inadvertent disclosure of privileged communication cause a waiver?

YES NO

Hypothetical 38

You are handling a large transaction for your client/employer. You just received the other side's latest proposed transactional documents, and sent them to your executives for their review. One of the executives called to say that she has been reviewing the "metadata" that the other company did not adequately "scrub" -- and has found several interesting examples of disputes among the other company's executives and lawyers about a certain important point.

Must you instruct your employee to stop reading the other company's "metadata"?

YES NO

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Hypothetical 39

You are representing your company in litigation with a very aggressive plaintiff, who argues at every opportunity that you have waived the attorney-client privilege.

Has your client/employer waived the attorney-client privilege, based on:

(a) Deposition testimony by your client/employer's president that she "always relies on her lawyer" before signing contracts?

YES NO

(b) Asserting an affirmative defense that it relied on a "good faith belief" in the legality of its actions?

YES NO

(c) Alleging that the adversary defrauded it?

YES NO

(d) Claiming attorneys' fees after successful earlier litigation with the adversary, based on indemnification provision in a contract between your client/employer and the adversary?

YES NO

(e) Stating in an interrogatory answer that your client/employer's HR director changed the language of a non-compete after speaking with you?

YES NO

(f) Asserting an affirmative defense in a sexual harassment lawsuit that it investigated the alleged wrongdoing and took reasonable remedial measures?

YES NO

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(g) Issuing press releases in response to allegations of stock manipulation announcing that your client/employer has hired a well-known former SEC lawyer to conduct a thorough investigation?

YES NO

(h) Filing an answer to the adversary's complaint denying bad faith?

YES NO

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Hypothetical 40

Your adversary in vigorous litigation not only seems to argue waiver at every turn, but also argues that each waiver requires your client/employer to disclose additional privileged communications on the same subject matter.

Does a "subject matter waiver" occur as a result of:

(a) Your client/employer's reliance on an "advice of counsel" affirmative defense?

YES NO

(b) Your client/employer's former president writing a book about her tumultuous time at the helm, and specifically relating conversations she had with her general counsel?

YES NO

(c) Allowing your client/employer's chief environmental expert to testify at a deposition about his conversation with an in-house lawyer?

YES NO

(d) Your client's accidental production of a privileged document during a massive document production?

YES NO

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Hypothetical 41

You are defending your client/employer in a sexual harassment claim. In conducting your privilege review, you wonder if the work product doctrine can protect the following:

(a) Notes that a company supervisor took during a meeting at which the plaintiff/employer threatened to sue the company, but before the supervisor contacted you or any other company lawyers?

YES NO

(b) Testimony of an investigator who looked into plaintiff's allegation, but did not write them down?

YES NO

Hypothetical 42

You are preparing to represent your client/employer in an administrative proceeding involving electric rates and plant licensing.

Will your materials deserve work product protection?

YES NO

Hypothetical 43

You are working with your paralegal on several projects.

Will the work product doctrine protect:

(a) A factual chronology of events involving an industrial accident in which the injured worker has hired a lawyer and threatened litigation?

YES NO

(b) General guidelines for responding to any future allegations that workers have been injured by exposure to toxic chemicals?

YES NO

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Hypothetical 44

You are advising several middle managers about when they should label material with a "work product" header.

Does the work product doctrine apply when litigation is:

(a) Ongoing?

YES NO

(b) Imminent?

YES NO

(c) Very likely?

YES NO

(d) Possible?

YES NO

Hypothetical 45

You want to take a fairly aggressive stand on the work product doctrine protection.

Can you argue that your client/employer reasonably anticipated litigation because:

(a) Companies like yours "always get sued" whatever they do?

YES NO

(b) Newspaper articles have recently indicated that the government might soon conduct an investigation of pricing in your company's industry?

YES NO

(c) Overseas companies have been sued for engaging in the type of marketing practices that your company also uses?

YES NO

Hypothetical 46

After attending one of your talks on the attorney-client privilege and the work product doctrine, your client/employer's CEO has begun advising her staff to aggressively mark most of their materials as "work product."

Is there a risk in taking an aggressive approach to the work product doctrine?

YES NO

Hypothetical 47

You are reviewing a privilege log created by your outside counsel, and have a question about several work product claims.

Does the work product doctrine only protect documents that will be used in or assist in the litigation?

YES NO

Hypothetical 48

Your office just received a letter from a plaintiff's lawyer claiming to represent several current company employees and former employees with various claims. You are planning your reaction to this letter.

Will the work product doctrine protect:

(a) A report required by government regulations whenever an employee claims exposure to radioactive material?

YES NO

(b) A form required by company policy every time an injury occurs on company property?

YES NO

(c) An investigation run by your law department into what your president and your securities filings have described as "possible accounting irregularities"?

YES NO

Hypothetical 49

You are preparing a privilege log, and trying your best to determine if you can assert work product protection.

Can the work product doctrine protect:

(a) A picture of an accident scene involving one of your company's trucks, showing the accident scene and a large crowd of bystanders?

YES NO

(b) A court reporter's transcript of a raucous meeting in a high school gymnasium at which residents denounced your company's response to a chemical leak?

YES NO

(c) An e-mail in which you advised your assistant that the witness you are preparing for a deposition would like a roast beef sandwich for lunch?

YES NO

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Hypothetical 50

You have been heavily involved in defending your client/employer in a breach of contract lawsuit.

Will the heightened "opinion" work product doctrine apply to:

(a) A memorandum to your client assessing how the jury would react to a third-party witness you are considering calling in your case?

YES NO

(b) A memorandum prepared by your client's regular accountant assessing whether the witness accurately described various financial concepts?

YES NO

(c) A verbatim transcript of your interview of a third-party witness?

YES NO

(d) The identity of that witness (she was listed as someone with knowledge, but your adversary now seeks the names of every witness you interviewed)?

YES NO

(e) The identity of five documents (produced by your adversary in the litigation) that you reviewed with the witness during your interview?

YES NO

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Hypothetical 51

Your adversary is challenging your work product claims.

Is your adversary likely to succeed in her efforts to obtain:

(a) A picture of the accident scene that your client took immediately after the accident -- and two years before you filed the lawsuit?

YES NO

(b) Notes you took while interviewing a third-party witness, which might reflect answers that differ from the witness's recent deposition testimony?

YES NO

(c) An e-mail you wrote your assistant indicating that a witness wanted a roast beef sandwich at lunch?

YES NO

(d) A court reporter's transcript of a raucous meeting in a high school gymnasium at which residents denounced your company's response to a chemical leak?

YES NO

(e) Notes of your interview with a witness (known to the other side) who lives in California and refuses to travel to Virginia to be deposed or to testify at trial.

YES NO

(f) Your memorandum summarizing the recollection of a witness who can no longer be found, and also including your assessment of the witness's credibility?

YES NO

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Hypothetical 52

Your adversary just filed another motion seeking materials that you claim to be work product.

Is your adversary likely to succeed in her efforts to obtain:

(a) A memorandum assessing the likelihood that the jury will dislike one of your witnesses?

YES NO

(b) A memorandum providing your opinion about damage sustained by the truck driven by your company's driver -- which was involved in the accident giving rise to the litigation, but which was later destroyed in a warehouse fire?

YES NO

Hypothetical 53

You are nearing the end of a long discovery period in high-stakes antitrust litigation, which has generated a large quantity of work product material that you are considering disclosing to third parties for various reasons.

Will you waive the work product doctrine protection by disclosing:

(a) Your interview note of a witness to another third-party witness who has expressed an interest in cooperating with you?

YES NO

(b) Your assessment of the litigation to the adversary during settlement negotiations?

YES NO

(c) Your memorandum explaining some of the surrounding circumstances to a state regulatory agency, in an effort to forestall formal investigation of your client/employer's activities?

YES NO

(d) Your memorandum explaining some of the surrounding circumstances to a federal regulatory agency, which has indicated that it might investigate the market activities of your adversary (but not your client/employer's activities)?

YES NO

(e) Your litigation description and analysis provided to your company's attest auditor?

YES NO

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ASSOCIATION OF CORPORATE COUNSEL

2006 ANNUAL MEETING

San Diego, California
October 23 - 25, 2006

Program 005:
"A Comparison of Solicitor-Client Privilege"

Hypotheticals and Analyses

Moderator:
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Differences between a Lawyer's Ethical Duty of Confidentiality and the Attorney-Client Privilege

Hypothetical 1

While working for your client, you compile information from public documents about your client.

(a) Is that information protected by the attorney-client privilege?

NO

(b) Is that information protected by your ethical duty of confidentiality?

YES

United States Analysis

The attorney-client privilege only protects communications between lawyers and their clients, and therefore could never protect information from public documents.

- The work product doctrine might protect a lawyer's compilation of information from public documents.

The ethics duty of confidentiality covers all information "relating to the representation of a client."

- An ABA Model Rule comment explains that duty covers "all information relating to the representation, whatever its source."

Best Answer in the United States:

The best answer to hypothetical **(a)** is **NO,** and the best answer to hypothetical **(b)** is **YES**.

REFERENCE: In-House Lawyer's Guide, pages 34-35 of 102

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"Touch Base" Test

Hypothetical 2

You are litigating in a United States court. You have claimed privilege protection for communications between one of your in-house lawyers stationed in the United States and a manager in Europe.

What law is the United States court likely to apply to these communications?

UNITED STATES

United States Analysis

Most courts apply a "touch base" test, under which U.S. law governs privilege issues for any communication that "touches base" with the United States.

Best Answer in the United States:

The best answer to this hypothetical is **UNITED STATES**.

REFERENCE: In-House Lawyer's Guide, page 37 of 102

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Hypothetical 3

You are litigating in a United States court. You have claimed privilege protection for communications between one of your Asian-based lawyers and a manager working in the same Asian country.

What law is the United States court likely to apply to these communications?

ASIAN COUNTRY (PROBABLY)

United States Analysis

U.S. courts usually will apply either the other country's law (under principles of "comity") or analogous U.S. law to the extent that the other country has not developed privilege principles because it does not allow discovery.

Best Answer in the United States:

The best answer to this hypothetical is **PROBABLY ASIAN COUNTRY**.

REFERENCE: In-House Lawyer's Guide, page 37-38 of 102

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Uncommunicated and Client-to-Client Communications

Hypothetical 4

You are claiming privilege protection for memoranda that one of your company's vice presidents prepared but never sent to a company lawyer. You are also claiming privilege protection for e-mails between two of your marketing employees, which were not sent by or to a lawyer.

(a) Can the attorney-client privilege ever protect uncommunicated client memoranda?

YES

(b) Can the attorney-client privilege ever protect client-to-client communications?

YES

United States Analysis

The privilege can protect a client's uncommunicated statement prepared before the client meets with the lawyer, if the client prepared the document with the intent of giving it to the lawyer for purposes of receiving legal advice.

The privilege can protect uncommunicated client statements prepared during or after the client meets with the lawyer, if they memorialize their communications.

The privilege can protect client-to-client communications that: (1) involve the gathering of facts for presentation to a lawyer; or (2) relay the lawyer's advice to other client representatives who have a "need to know."

Best Answer in the United States:

The best answer to (**a**) is **YES**, and the answer to (**b**) is **YES**.

REFERENCE: In-House Lawyer's Guide, page 48 of 102

Joint Representations

Hypothetical 5

You are working on a transaction involving your employer (a U.S. company) and its overseas subsidiary.

What are the ramifications of this joint representation?

United States Analysis

Each jointly represented client on the same matter has an equal right to the lawyer's knowledge about that matter (so there can be no secrets among the jointly represented clients on the matter) and to the lawyer's undivided duty of loyalty.

- These duties can be altered by agreement beforehand, but only if both clients consent after full disclosure.

Best Answer in the United States:

The best answer to this hypothetical is **UNLESS YOUR JOINT CLIENTS AGREE OTHERWISE IN ADVANCE, YOU CANNOT KEEP SECRETS FROM EITHER CLIENT AND YOU CANNOT REPRESENT ONE CLIENT IN A MATTER ADVERSE TO THE OTHER CLIENT RELATING TO THE MATTER**.

REFERENCE: In-House Lawyer's Guide, pages 41-42 of 102

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Ownership of the Privilege after Corporate Transactions

Hypothetical 6

Your client/employer is thinking of "spinning off" a foreign subsidiary.

(a) If your client/employer sells the stock of the subsidiary, who will own the privilege?

THE NEW MANAGEMENT

(b) If your client/employer sells the assets of the subsidiary, who will own the privilege?

YOUR CLIENT/EMPLOYER (PROBABLY)

United States Analysis

Under most courts' approach, the purchaser of a company's stock also purchases the company's privilege.

In contrast, the general rule is that the purchaser of a company's assets does not purchase the company's privilege if the company continues to exist.

- Some newer cases involving the sale of assets out of bankruptcy have found that the purchaser of substantially all of a bankrupt company's assets also buys the privilege.

Best Answer in the United States:

The best answer for (**a**) is **THE NEW MANAGEMENT**, and the best answer for (**b**) is **YOUR CLIENT/EMPLOYER (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, pages 40-41 of 102

Adversity among Former Jointly Represented Clients

Hypothetical 7

The purchaser of your former subsidiary's stock has filed a lawsuit against your client/employer alleging its failure to pay for an environmental clean-up under the transactional documents.

(a) May the plaintiff obtain your files about the "spin" transaction?

YES

(b) May you advise your client/employer in connection with the litigation?

NO (PROBABLY)

United States Analysis

As your former client, the subsidiary can obtain your files about the matter on which you jointly represented it and your client/employer, under the "no secrets" principle for joint representations.

As your former client, the subsidiary can veto your representation adverse to it on the same or substantially related matter in which you represented it.

Best Answer in the United States:

The best answer to (**a**) is **YES**, and the best answer to (**b**) is **NO (PROBABLY)**.

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Representing Corporate Executives

Hypothetical 8

One of your client/employer's executive vice presidents has asked that you represent her in several matters.

May you represent your client/employer's executive vice president in:

(a) Reviewing her employment contract with your client/employer?

NO (PROBABLY)

(b) Purchasing a house?

MAYBE

(c) Defending a sexual harassment claim (you would be representing your client/employer and the executive)?

MAYBE

United States Analysis

Except in very unusual circumstances (and after consent with full disclosure), a lawyer representing a company cannot represent an officer/employee on a company-related matter in which adversity is possible.

An in-house lawyer may represent an executive in matters not involving the client/employer if they do not violate the UPL rules and if the lawyer obtains the company's consent (after discussing the possibility that the lawyer will not be able to advise her client/employer if adversity develops between the company and the executive).

An in-house lawyer may represent the company and an executive in a joint representation, but must follow the joint representation rules unless they are modified by contract (these include the "no secrets" rule and the undivided duty of loyalty -- the latter might require the lawyer to withdraw from both representations if adversity develops).

Best Answer in the United States:

The best answer to (**a**) is **NO (PROBABLY)**, the best answer to (**b**) is **MAYBE**, and the best answer to (**c**) is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, pages 45-46 of 102

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Control Group v. Upjohn Test

Hypothetical 9

You are conducting an investigation, and need information from various corporate employees.

Will the privilege cover your communications with:

(a) An executive vice president?

YES

(b) A regional manager?

YES

(c) An hourly assembly-line worker?

YES

United States Analysis

Most states formerly recognized the privilege only for a company lawyer's communications with the upper level of corporate management, in the "control group."

- Only a few states now follow that rule (most notably, Illinois).

Under the Upjohn doctrine, the privilege can cover a company lawyer's communications with any level of company employee, as long as the employee has information the lawyer needs to provide advice to the company.

Best Answer in the United States:

The best answer to (**a**) is **YES**, the best answer to (**b**) is **YES**, and the best answer to (**c**) is **YES**.

REFERENCE: In-House Lawyer's Guide, page 43 of 102

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Communications with Former Employees

Hypothetical 10

You are conducting an investigation, and need information from a former company employee.

Will the privilege protect your communications?

YES (PROBABLY)

United States Analysis

Under the Upjohn analysis, nearly every court protects communications between a company lawyer and a former employee, as long as the communications relate to what the employee did while working in the company, and the lawyer needs the information to provide legal advice to the client/employer.

Best Answer in the United States:

The best answer to this hypothetical is **YES (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, pages 43-44 of 102

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"Functional Equivalent" Doctrine

Hypothetical 11

Your company has increasingly outsourced many of its functions. While conducting an investigation, you find that you need information from non-employee participant contractors who spend every day at one of your plants.

Will the privilege protect your communications?

YES (PROBABLY)

United States Analysis

An increasing number of courts treat as company employees any independent contractors who are the "functional equivalent" of company employees.

- Company HR departments might resist this characterization.

Best Answer in the United States:

The best answer to this hypothetical is **YES (PROBABLY)**.

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Other Company Consultants

Hypothetical 12

Your client/employer is planning a large corporate transaction. You need to interact with various other consultants.

Will the privilege cover your communications with:

(a) Your company's investment banker?

NO

(b) Your company's public relations agency?

NO

(c) The translation bureau your client has selected to assist in the transaction (which will take place in Korea)?

YES

United States Analysis

Unless the consultant is facilitating the actual communication between the client and the lawyer, nearly every court finds that consultants are outside the privilege protection. This has ramifications for direct communications with the consultants, otherwise privileged communications while the consultants are present, and the sharing of privileged communications with the consultants.

Best Answer in the United States:

The best answer to (**a**) is **NO**, the best answer to (**b**) is **NO**, and the best answer to (**c**) is **YES**.

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REFERENCE: In-House Lawyer's Guide, pages 44-45 of 102

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Employees Using Company Computers for Personal Privileged Communications

Hypothetical 13

Your company just fired its CFO. One of your IT specialists told you that the former CFO's company computer contained communications between the CFO and his private lawyer.

Can the CFO claim privilege protection for those communications?

MAYBE

United States Analysis

This issue normally involves property and employment law, but courts take a mixed approach to this issue in the privilege context.

- The privilege might apply if your client/employer did not strictly enforce the prohibition on personal communications and did not adequately warn computer users that such personal communications would not be confidential.

Best Answer in the United States:

The best answer to this hypothetical is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, page 47 of 102

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Former Employees' Right to Privileged Communications

Hypothetical 14

Your company just fired its CFO. The CFO has asked to see privileged communications that he wrote while working for your client/employer.

Is a court likely to give the former CFO access to these privileged communications?

MAYBE

United States Analysis

Courts take differing approaches to this question.

Best Answer in the United States:

The best answer to this hypothetical is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, page 47 of 102

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Uncommunicated Lawyer Statements

Hypothetical 15

Your client/employer is involved in litigation, and you have been asked to produce some memoranda that you never sent to your client.

Is the privilege likely to cover your uncommunicated memoranda?

MAYBE

United States Analysis

The privilege definitely will apply if the memoranda memorialized privileged communications with your client, but many courts do not protect an uncommunicated lawyer memoranda otherwise.

Best Answer in the United States:

The best answer to this hypothetical is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, page 48 of 102

Lawyer-to-Client Communications

Hypothetical 16

Your client/employer is involved in litigation, and you have been asked to produce memoranda in which you described to your client a communication you had with a government regulator.

Is the privilege likely to cover your memoranda?

NO (PROBABLY)

United States Analysis

The privilege exists to encourage client-to-lawyer communications, not vice versa.

A lawyer's memorandum advising the client of the lawyer's communication with a third party will deserve privilege protection only if it contains or obviously reflects the lawyer's analysis

Best Answer in the United States:

The best answer to this hypothetical is **NO (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, page 49 of 102

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Lawyers with Lapsed Licenses

Hypothetical 17

You just discovered that your associate general counsel (who had not been required to join the bar of the state where she works) let her license lapse five years ago because she did not attend CLE courses and pay the required yearly dues.

Will the privilege protect communications between the associate general counsel and company employees over the last five years?

MAYBE

United States Analysis

Most courts look at the client's understanding in answering a question like this.

- If the client believed that the lawyer was licensed somewhere, the privilege should apply.

However, one court applied a different rule to corporations, which it held should be responsible for determining the bona fides of its in-house lawyers.

Best Answer in the United States:

The best answer to this hypothetical is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, page 49 of 102

Lawyers Not Licensed in the Jurisdiction Where They Practice

Hypothetical 18

You work at your client/employer's headquarters, in a state where you are not licensed (that state's rules allow such activity).

Will the privilege protect your communications with client/employer representatives?

YES

United States Analysis

As long as an in-house lawyer is a member of some bar, courts protect their communications as privileged.

Best Answer in the United States:

The best answer to this hypothetical is **YES**.

REFERENCE: In-House Lawyer's Guide, page 49 of 102

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In-House Lawyers

Hypothetical 19

You client/employer's in-house lawyers work at its U.S. headquarters, at its plant in the United Kingdom and at its sales headquarters in France.

Will the privilege protect communications between company employees and the in-house lawyers in:

(a) The United States?

YES

(b) The United Kingdom?

YES

(c) France?

NO

United States Analysis

Every U.S. court protects communications to and from in-house lawyers in the same fashion as outside lawyers, although in-house lawyers have a higher burden of showing that they are engaging in legal communications rather than business communications.

The United Kingdom follows the same approach.

France and many other European and other foreign countries do not protect as privileged communications with in-house lawyers.

Best Answer in the United States:

The best answer to (**a**) is **YES**, the best answer to (**b**) is **YES**, and the best answer to (**c**) is **NO**.

REFERENCE: In-House Lawyer's Guide, pages 37, 38, and 49 of 102

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Foreign Consultants Performing Jobs Analogous to Those Performed by Lawyers in the U.S.

Hypothetical 20

You are working on a transaction in the Netherlands, and must communicate with a foreign patent agent stationed in the Netherlands.

Will the privilege protect your communications with the foreign patent agent in the Netherlands?

YES (PROBABLY)

United States Analysis

Most U.S. courts protect as privileged communications to and from foreign consultants such as patent agents who perform a job that a U.S. lawyer normally would perform.

- If the privilege is challenged, the company will have to present evidence of the foreign consultant's role and the foreign law that protects her communications.

Best Answer in the United States:

The best answer to this hypothetical is **YES (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, page 49 of 102

Consultants Hired to Assist the Lawyer in Providing Legal Advice

Hypothetical 21

You are assisting your client in a large transaction, and are considering involving two consultants.

Will the privilege protect your communications with:

(a) The company's long-standing environmental consultant, whom your client/employer's president has asked you to retain and work with to prepare an environmental survey for the company's use in the transaction?

NO

(b) A foreign banking consultant that you think you need to provide advice on the Argentine bank regulations?

YES

United States Analysis

The privilege protects communications with consultants a lawyer needs to help provide legal advice to the client.

Courts will examine the bona fides of such an arrangement, and the lawyer's retention of the consultant is not dispositive.

- Courts view with great suspicion arrangements under which consultants already retained by a client suddenly begin to assist the lawyer in providing legal advice.

Best Answer in the United States:

The best answer to (**a**) is **NO**, and the best answer to (b) is **YES**.

REFERENCE: In-House Lawyer's Guide, pages 50-51 of 102

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Lawyer's Participation as an E-Mail Recipient or at a Meeting

Hypothetical 22

Your client/employer' Sales Manager has advised her senior assistants to copy you on e-mails they send to her, and to invite you to meetings in which they will be discussing very sensitive marketing regulations.

Will the privilege protect:

(a) The e-mails copied to you?

NO (PROBABLY)

(b) Communications at the meetings you attend?

NO (PROBABLY)

United States Analysis

Unless the e-mails are sent to you as part of your client/employer's request for or your providing of legal advice, the e-mails will not be privileged.

- Simply sending a copy of a communication to a lawyer does not assure privilege protection.

Unless a lawyer attends the meeting to receive information she needs to give legal advice (or to give legal advice), communications at the meeting will not deserve privilege protection.

Best Answer in the United States:

The best answer to (**a**) is **NO (PROBABLY)**, and the best answer to (**b**) is **NO (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, page 52 of 102

Background Information about the Attorney-Client Relationship

Hypothetical 23

As an outside lawyer, you have just received discovery asking for various information and documents relating to your representation of your largest client.

Will the privilege protect:

(a) Your client's identity?

NO

(b) The total amount of fees your client paid you last year?

NO

(c) The date and duration of every meeting you had with your client last year?

NO

United States Analysis

Unlike the lawyer's ethical duty of confidentiality, the attorney-client privilege does not protect background information about the attorney-client relationship such as the client's identity, fees paid, fact of a meeting with a lawyer, etc.

Best Answer in the United States:

The best answer to (**a**) is **NO**, the best answer to (**b**) is **NO**, and the best answer to (**c**) is **NO**.

REFERENCE: In-House Lawyer's Guide, page 53 of 102

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Historical Facts

Hypothetical 24

Two years ago, your client/employer's chief environmental officer sent you a memorandum outlining the factual background of a serious spill of toxic chemicals. The officer asked for your legal advice about the spill. Plaintiffs in a large lawsuit against your client/employer have now sought the memorandum in discovery.

Will the privilege protect:

(a) The factual portion of the memorandum?

YES (PROBABLY)

(b) The request for legal advice?

YES

United States Analysis

Although historical facts are never privileged, the client's communication of those facts to the lawyer deserves privilege protection.

- In fact, that is the most protected of all communications.

However, some courts erroneously confuse the two doctrines, and force the disclosure of client communications relaying historical facts to their lawyers.

The privilege clearly protects the client's request for legal advice.

Best Answer in the United States:

The best answer to (**a**) is **YES (PROBABLY**), and the best answer to (**b**) is **YES**.

REFERENCE: In-House Lawyer's Guide, pages 53-54 of 102

Legal or Business Advice

Hypothetical 25

As the in-house lawyer chiefly responsible for your client/employer's overseas transactions, you often provide memoranda outlining the legal issues and also providing some practical advice based on your knowledge of other countries' customs.

Will the privilege protect your memoranda?

MAYBE

United States Analysis

To the extent that the legal advice can be separated from the business advice, most courts allow the former to be redacted before producing the latter.

To the extent that the legal advice cannot be separated from the business advice, most courts follow a "primary purpose" test in determining whether the memoranda deserves privilege protection as legal advice, or is instead unprotected business advice.

- In-house lawyers have a higher burden of showing that their advice deserves protection as legal advice, because so many of them provide business advice as well.

Best Answer in the United States:

The best answer to this hypothetical is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, pages 55-56 of 102

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Crime-Fraud Exception: Type of Wrongdoing

Hypothetical 26

An aggressive plaintiff has claimed that your company destroyed pertinent documents, and now asserts the crime-fraud exception in an effort to obtain communications that you sent and received from company employees.

Does the crime-fraud exception apply to communications relating to document spoliation, even though it is not a crime and not a fraud?

YES

United States Analysis

Most courts apply the crime-fraud exception to wrongdoing other than crimes or frauds.

- Some courts are quite expansive, and include such wrongdoing as intentional torts.

Best Answer in the United States:

The best answer to this hypothetical is **YES**.

REFERENCE: In-House Lawyer's Guide, pages 56-57 of 102

Crime-Fraud Exception: Lawyer's Role

Hypothetical 27

A plaintiff is suing your client/employer, claiming that it engaged in a fraudulent scheme. The plaintiff seeks production of memoranda that you sent your client, claiming application of the "crime-fraud exception."

Is the court likely to protect as privileged your memoranda if:

(a) You can establish beyond question that you were unaware of any fraudulent intent by your client?

NO

(b) The communication did not facilitate the alleged crime or fraud, but would provide evidence of it?

YES

United States Analysis

In analyzing the crime-fraud exception, the lawyer's intent is irrelevant.

- In contrast, the lawyer's intent normally is a factor in applying the crime-fraud exception to work product.

The crime-fraud exception applies only if the communication facilitated or in some other way was related to the crime or fraud, not just because it might contain evidence of the crime or fraud.

Best Answer in the United States:

The best answer to (**a**) is **NO**, and the best answer to (**b**) is **YES**.

REFERENCE: In-House Lawyer's Guide, page 57 of 102

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Communications in the Presence of Client Consultants

Hypothetical 28

You are attending your client/employer's board meeting, and are on the agenda right after the investment banker's report about an upcoming financing transaction.

If the investment banker stays for your presentation, will the privilege protect it?

NO

United States Analysis

As with direct communications with client consultants such as investment bankers, public relations consultants, etc., their presence during otherwise privileged communications will prevent the privilege from protecting the communications.

Best Answer in the United States:

The best answer to this hypothetical is **NO**.

REFERENCE: In-House Lawyer's Guide, page 58 of 102

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Draft of Documents Intended to be Disclosed to Third Parties

Hypothetical 29

Your client/employer's media relations folks have been working with you to prepare a draft press release about your client's proposed acquisition of another company.

Will the privilege protect:

(a) The first draft that your media relations person sent to you and four other business executives for your review?

MAYBE

(b) Your handwritten suggestions that you wrote in the margin of one of the drafts?

YES (PROBABLY)

(c) The final draft that reflects your input?

NO

United States Analysis

The privilege does not apply to communications that the client intends to disclose outside the attorney-client relationship.

The privilege can protect a client's draft document sent to a lawyer for her review.

- The fact that the client sent the document to several other non-lawyers weakens the argument that the draft deserves privilege protection.
- The absence of an explicit request for legal advice also weakens the privilege argument.

Some courts erroneously apply the "expectation of disclosure" doctrine to drafts of documents whose final version will be disclosed.

- This judicial confusion often leads to the wrong results, and serves as a reminder that very important privileged communications should be sent in separate stand-alone communications rather than in drafts exchanged between clients and lawyers.

Courts correctly analyzing the issue apply the privilege to any preliminary drafts that reflect a lawyer's input.

- In today's electronic world, it is nearly impossible to determine how, or sometimes even if, a preliminary draft reflects a lawyer's input.

The "expectation of disclosure" doctrine does not protect final drafts that the client intends to disclose outside the attorney-client relationship.

Best Answer in the United States:

The best answer to (**a**) is **MAYBE**, the best answer to (**b**) is **YES (PROBABLY)**, and the best answer to (**c**) is **NO**.

REFERENCE: In-House Lawyer's Guide, pages 58-59 of 102

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Common Interest Doctrine

Hypothetical 30

Your client/employer had worked for several years with a distributor in Asia. A competitor has threatened to sue you and the distributor for what it alleges to be improper trade practices. You and the distributor are also considering expanding your operations to Latin America.

Will the privilege apply to:

(a) Communications between you and the distributor's employees relating to the threatened law suit?

YES (PROBABLY)

(b) Communications between you and the distributor's employees relating to the Latin American proposal?

NO

United States Analysis

Most U.S. courts recognize a "common interest" doctrine that can protect communications between separate clients represented by their own lawyers, as long as the communications relate to an identical legal interest in connection with litigation or anticipated litigation.

- The common interest doctrine has been dramatically narrowed over the past several years.
- Courts are more insistent now that the interests be identical (not just similar), legal (not just commercial) and involve litigation or anticipated litigation.

Best Answer in the United States:

The best answer to (**a**) is **YES (PROBABLY)**, and the best answer to (**b**) is **NO**.

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REFERENCE: In-House Lawyer's Guide, pages 59-60 of 102

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Effect of Common Interest Agreements

Hypothetical 31

You want to hire two lawyers from the law firm that represents one of the defendants in litigation in which you represent the plaintiff. You have sued several defendants in that litigation, and all of them (including the two lawyers' client) have entered into a common interest agreement. The two lawyers' client will consent to your continued representation of the plaintiff, as long as you screen the lawyers from the litigation once they join your firm.

May you hire the two lawyers without risking disqualification from representing the plaintiff in the litigation against the defendants?

NO

United States Analysis

Most courts recognize what amounts to an implied attorney-client relationship between the lawyers representing each participant in the common interest agreement and all of the other participants.

In a recent case, a court disqualified a law firm in this situation, because the law firm did not obtain the consent of all of the common interest participants.

- The court disqualified the law firm despite everyone's stipulation that the two lawyers had been totally screened from litigation at their new firm.

Best Answer in the United States:

The best answer to this hypothetical is **NO**.

REFERENCE: In-House Lawyer's Guide, pages 60-61 of 102

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Waiver of the Privilege

Hypothetical 32

You client is one of America's best known women executives, famous for her homemaking and entertaining skills -- which she has parlayed into an enormous and successful company. After being accused of insider trading, she writes an e-mail to you with her memory of the trade, and later sends a copy of the memorandum to her daughter. After she is indicted, the government seeks access to the memorandum.

Is the court likely to find that your client's memorandum is privileged?

NO

United States Analysis

The attorney-client privilege is so fragile that Martha Stewart lost the privilege by giving a privileged e-mail to her own daughter.

- The work product doctrine provides a heartier protection.

Best Answer in the United States:

The best answer to this hypothetical is **NO**.

REFERENCE: In-House Lawyer's Guide, page 61 of 102

Who Can Waive the Corporation's Privilege?

Hypothetical 33

You are defending your client/employer in high-stakes litigation, in which the plaintiff claims that various company representatives waived the privilege.

Will the court continue to protect privileged communications:

(a) That your client/employer's executive vice president gave to another company?

NO

(b) That one of your company's brand-new sales persons gave to a customer?

MAYBE

(c) That a former employee took when she left the company and has since given to the plaintiffs.

YES

United States Analysis

Management employees working in the company's interests generally can waive the privilege.

Courts disagree about whether lower-level employees can waive the privilege.

Former employees and those acting in their own interests (rather than the company's interest) cannot waive the privilege.

Best Answer in the United States:

The best answer to (**a**) is **NO**, the best answer to (**b**) is **MAYBE**, and the best answer to (**c**) is **YES**.

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REFERENCE: In-House Lawyer's Guide, page 62 of 102

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Waiver in the Joint Representation Context

Hypothetical 34

You represented your client/employer and one of its plant managers in civil litigation brought by an adjoining landowner. The state government is now investigating criminal charges based on the same incident. The government wants your client/employer to cooperate by disclosing to the government memoranda you prepared during your representation of the company and the executive.

May you disclose the memoranda without the executive's consent?

NO

United States Analysis

Absent some agreement to the contrary (which would require consent after full disclosure), all jointly represented clients must share in any waiver.

Best Answer in the United States:

The best answer to this hypothetical is **NO**.

REFERENCE: In-House Lawyer's Guide, page 62 of 102

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Disclosing Privileged Communications to the Government

Hypothetical 35

The U.S. government is investigating your client/employer in connection with possible illegal immigration charges. The government has asked for copies of various privileged communications, and has offered to enter into a confidentiality agreement with your client/employer.

Will disclosing the privileged communications to the government waive the privilege?

YES

United States Analysis

Except in the Second Circuit (where the question is unclear), companies waive the privilege by sharing privileged communications with the government.

A confidentiality agreement might create a contractual obligation by the government not to disclose the privileged communications, but does not prevent non-signatories from claiming waiver.

Best Answer in the United States:

The best answer to this hypothetical is **YES**.

REFERENCE: In-House Lawyer's Guide, page 64 of 102

Disclosing Privileged Communications to Outside Auditors

Hypothetical 36

Your client/employer's outside auditor has asked to see your analysis of a recent currency transaction, which you prepared with no litigation on the horizon.

Will disclosure of your memorandum to the outside auditor waive the privilege?

YES

United States Analysis

Outside auditors are considered outside the attorney-client relationship, so that sharing privileged communications with them causes a waiver.

Best Answer in the United States:

The best answer to this hypothetical is **YES**.

REFERENCE: In-House Lawyer's Guide, page 64 of 102

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Inadvertent Disclosure

Hypothetical 37

You are supervising your client/employer's enormous document production in a large antitrust case. You just discovered that ten privileged documents somehow "slipped through" your privilege review process.

Will your inadvertent disclosure of privileged communication cause a waiver?

MAYBE

United States Analysis

Some courts always find a waiver in these circumstances, and some courts never find a waiver (because only the client can waive the privilege).

Most courts follow a "middle course," and conduct a fact-intensive analysis looking at such factors as: did the client set up an appropriate procedure for catching privileged communications; did it follow the procedure carefully; how many documents slipped through; how quickly did the client ask for the documents back; how widely disclosed were the documents before the client requested their return.

Best Answer in the United States:

The best answer to this hypothetical is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, pages 64-66 of 102

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Ethical Issues Involved in the Inadvertent Transmission of Privileged Communications

Hypothetical 38

You are handling a large transaction for your client/employer. You just received the other side's latest proposed transactional documents, and sent them to your executives for their review. One of the executives called to say that she has been reviewing the "metadata" that the other company did not adequately "scrub" -- and has found several interesting examples of disputes among the other company's executives and lawyers about a certain important point.

Must you instruct your employee to stop reading the other company's "metadata"?

NO (PROBABLY)

United States Analysis

This issue has received considerable scrutiny lately.

Only New York has found an ethical problem with reading adversaries' "metadata" if they do not scrub it.

- Florida is also considering such a step.

There is a real question about whether the metadata was "inadvertently" transmitted, and whether your duty to diligently represent your client outweighs whatever "duty" you have to a sloppy adversary.

Best Answer in the United States:

The best answer to this hypothetical is **NO (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, pages 64-65 of 102

Implied Waiver

Hypothetical 39

You are representing your company in litigation with a very aggressive plaintiff, who argues at every opportunity that you have waived the attorney-client privilege.

Has your client/employer waived the attorney-client privilege, based on:

(a) Deposition testimony by your client/employer's president that she "always relies on her lawyer" before signing contracts?

NO

(b) Asserting an affirmative defense that it relied on a "good faith belief" in the legality of its actions?

MAYBE

(c) Alleging that the adversary defrauded it?

MAYBE

(d) Claiming attorneys' fees after successful earlier litigation with the adversary, based on indemnification provision in a contract between your client/employer and the adversary?

MAYBE

(e) Stating in an interrogatory answer that your client/employer's HR director changed the language of a non-compete after speaking with you?

NO

(f) Asserting an affirmative defense in a sexual harassment lawsuit that it investigated the alleged wrongdoing and took reasonable remedial measures?

YES

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(g) Issuing press releases in response to allegations of stock manipulation announcing that your client/employer has hired a well-known former SEC lawyer to conduct a thorough investigation?

MAYBE

(h) Filing an answer to the adversary's complaint denying bad faith?

NO

United States Analysis

While an "express" waiver requires actual disclosure of privileged communications, an "implied" waiver can occur without such disclosure.

- This is why implied waivers are much more difficult to analyze and more dangerous -- because clients and lawyers might cause an implied waiver without recognizing it.

An "implied" waiver generally occurs when a client relies on legal advice or even the fact of legal advice to gain some advantage.

A client's mere reference to legal advice generally does not cause a waiver, as long as the client is not seeking an advantage.

- Examples "a" and "e" probably fall into this category.

At the other extreme, filing an affirmative defense that explicitly relies on legal advice clearly causes an implied waiver.

- The classic example is an "advice of counsel" or an "ineffective assistance of counsel" affirmative defense.

Between these two extremes, it can be very difficult to predict whether a court will find an implied waiver -- it will analyze whether the client has affirmatively sought some advantage by relying on a privileged communication.

- Examples "d" and "g" fall into this category.

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At the far reaches of the implied waiver doctrine, some courts recognize what is called an "at issue" waiver. This type of waiver occurs without any reference to legal advice at all.

- Instead, an "at issue" waiver occurs when a litigant affirmatively seeks an advantage by putting "at issue" its ignorance, knowledge, conduct, etc. -- and critical evidence related to that issue can only be discovered by exploring privileged communications.
- Examples "b," "c," "f" and "h" fall into this category.
- Example "f" involves an affirmative defense, and a well-settled doctrine recognizes this affirmative defense as causing an implied waiver.
- Example "h" does not involve an affirmative statement, but rather a defense.

Best Answer in the United States:

The best answer to (**a**) is **NO**, the best answer to (**b**) is **MAYBE**, the best answer to (**c**) is **MAYBE**, the best answer to (**d**) is **MAYBE**, the best answer to (**e**) is **NO**, the best answer to (**f**) is **YES**, the best answer to (**g**) is **MAYBE**, and the best answer to (**h**) is **NO**.

REFERENCE: In-House Lawyer's Guide, pages 67-69 of 102

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Subject Matter Waiver

Hypothetical 40

Your adversary in vigorous litigation not only seems to argue waiver at every turn, but also argues that each waiver requires your client/employer to disclose additional privileged communications on the same subject matter.

Does a "subject matter waiver" occur as a result of:

(a) Your client/employer's reliance on an "advice of counsel" affirmative defense?

YES

(b) Your client/employer's former president writing a book about her tumultuous time at the helm, and specifically relating conversations she had with her general counsel?

NO (PROBABLY)

(c) Allowing your client/employer's chief environmental expert to testify at a deposition about his conversation with an in-house lawyer?

YES

(d) Your client's accidental production of a privileged document during a massive document production?

MAYBE

United States Analysis

Starting with a client's intentional disclosure of privileged communications to gain some advantage in litigation, courts developed the common-sense doctrine that fairness dictates a complete disclosure of all privileged communications on the same subject matter.

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- For instance, a client filing an "advice of counsel" affirmative defense must fully disclose what she told her lawyer and what her lawyer told her.

The "subject matter waiver" doctrine makes perfect sense in that setting -- whether the client has expressly or impliedly waived the privilege to gain some advantage in litigation.

- Examples "a" and "c" fall into this category.

Surprisingly, several courts have applied the "subject matter waiver" doctrine when a client has accidentally disclosed privileged communications.

- This does not make much sense, because the client is not trying to gain some advantage by the disclosure, and a court can avoid any prejudice by prohibiting the use of the inadvertently disclosed privileged communication at trial.
- Example "d" falls into this category.

Starting in the Second Circuit, courts have recognized a doctrine prohibiting a broad subject matter waiver based on disclosure of privileged communication in a non-judicial setting.

- The non-judicial setting means that the client is not attempting to gain some advantage with the disclosure, so fairness does not require an additional disclosure.
- This is called the Von Bulow doctrine because the seminal case involves Harvard Law Professor Alan Dershowitz's book about his involvement in the Von Bulow murder trial -- the Second Circuit found that his disclosure of privileged communications in the non-judicial setting of a book did not cause a subject matter waiver.
- Example "b" falls into this category.

Best Answer in the United States:

The best answer to (**a**) is **YES**, the best answer to (**b**) is **NO (PROBABLY)**, the best answer to (**c**) is **YES**, and the best answer to (**d**) is **MAYBE**.

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REFERENCE: In-House Lawyer's Guide, pages 69-71 of 102

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Who Can Create Work Product?

Hypothetical 41

You are defending your client/employer in a sexual harassment claim. In conducting your privilege review, you wonder if the work product doctrine can protect the following:

(a) Notes that a company supervisor took during a meeting at which the plaintiff/employer threatened to sue the company, but before the supervisor contacted you or any other company lawyers?

YES

(b) Testimony of an investigator who looked into plaintiff's allegation, but did not write them down?

YES (PROBABLY)

United States Analysis

Although some lawyers erroneously use the term "attorney work product," the federal work product doctrine and nearly every state's work product doctrine on their face can protect material created by or for the client or any client representative.

Most (but not all) courts extend the work product doctrine protection to intangible work product that would deserve the protection if it were written down.

Best Answer in the United States:

The best answer to (**a**) is **YES**, and the best answer to (**b**) is **YES (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, page 74 of 102

"Litigation" Requirement

Hypothetical 42

You are preparing to represent your client/employer in an administrative proceeding involving electric rates and plant licensing.

Will your materials deserve work product protection?

MAYBE

United States Analysis

The work product doctrine protects materials created in connection with or in reasonable anticipation of "litigation."

The work product doctrine applies to administrative proceedings if they are adversarial, and have the attributes of standard litigation.

Best Answer in the United States:

The best answer to this hypothetical is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, page 76 of 102

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Specific Claim Requirement

Hypothetical 43

You are working with your paralegal on several projects.

Will the work product doctrine protect:

(a) A factual chronology of events involving an industrial accident in which the injured worker has hired a lawyer and threatened litigation?

YES

(b) General guidelines for responding to any future allegations that workers have been injured by exposure to toxic chemicals?

MAYBE

United States Analysis

Some courts protect as work product only those materials created in connection with a specific identifiable claim.

Other courts take a broader view, and protect materials created in connection with or in anticipation of litigation without requiring that the preparer identify the specific claim.

Best Answer in the United States:

The best answer to (**a**) is **YES**, and the best answer to (**b**) is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, page 77 of 102

"Anticipation" Requirement

Hypothetical 44

You are advising several middle managers about when they should label material with a "work product" header.

Does the work product doctrine apply when litigation is:

(a) Ongoing?

YES

(b) Imminent?

YES

(c) Very likely?

MAYBE

(d) Possible?

MAYBE

United States Analysis

Although every court agrees that the work product doctrine can protect materials created before litigation begins, they take varying positions on the degree of anticipation required.

Some courts require that the litigation be "imminent," while other courts apply the work product doctrine even if there is only a possibility of future litigation.

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Best Answer in the United States:

The best answer to (**a**) is **YES**, the best answer to (**b**) is **YES**, the best answer to (**c**) is **MAYBE**, and the best answer to (**d**) is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, page 77 of 102

"Trigger" Dates

Hypothetical 45

You want to take a fairly aggressive stand on the work product doctrine protection.

Can you argue that your client/employer reasonably anticipated litigation because:

(a) Companies like yours "always get sued" whatever they do?

NO

(b) Newspaper articles have recently indicated that the government might soon conduct an investigation of pricing in your company's industry?

MAYBE

(c) Overseas companies have been sued for engaging in the type of marketing practices that your company also uses?

YES (PROBABLY)

United States Analysis

Litigants claiming work product protection must point to the exact time that they first anticipated litigation.

- This normally involves a "trigger" date that would cause a reasonable litigant to anticipate litigation.

Courts reject too broad an argument on trigger dates (this is also related to the specific claim requirement discussed earlier).

A government investigation does not count as "litigation," but a government investigation can itself generate reasonable anticipation of later litigation.

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Courts have recognized as an appropriate "trigger" date the date on which the company learned that other companies were being sued for the same activities.

Best Answer in the United States:

The best answer to (**a**) is **NO**, the best answer to (**b**) is **MAYBE**, and the best answer to (**c**) is **YES (PROBABLY**).

REFERENCE: In-House Lawyer's Guide, pages 77-78 of 102

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Risk of Aggressive Work Product Claims

Hypothetical 46

After attending one of your talks on the attorney-client privilege and the work product doctrine, your client/employer's CEO has begun advising her staff to aggressively mark most of their materials as "work product."

Is there a risk in taking an aggressive approach to the work product doctrine?

YES

United States Analysis

In the context of the attorney-client privilege, an aggressive approach might cost some credibility with a court, but otherwise does not subject the company to any dramatic risks.

In contrast, a company's claim that it deserves work product protection because it anticipated litigation on a certain date might require the company to suspend its normal document retention system on that date.

Best Answer in the United States:

The best answer to this hypothetical is **YES**.

REFERENCE: In-House Lawyer's Guide, pages 78-79 of 102

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"Motivation" Requirement: Use of the Document

Hypothetical 47

You are reviewing a privilege log created by your outside counsel, and have a question about several work product claims.

Does the work product doctrine only protect documents that will be used in or assist in the litigation?

NO (PROBABLY)

United States Analysis

Courts traditionally only protected documents created to be used in or assist in litigation.

However, starting with the Second Circuit, courts began to protect as work product documents created "because of" litigation or anticipated litigation -- even if the documents will not be used in the litigation.

Best Answer in the United States:

The best answer to this hypothetical is **NO (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, pages 80-81 of 102

"Motivation" Requirement: Triggering Event

Hypothetical 48

Your office just received a letter from a plaintiff's lawyer claiming to represent several current company employees and former employees with various claims. You are planning your reaction to this letter.

Will the work product doctrine protect:

(a) A report required by government regulations whenever an employee claims exposure to radioactive material?

NO

(b) A form required by company policy every time an injury occurs on company property?

NO

(c) An investigation run by your law department into what your president and your securities filings have described as "possible accounting irregularities"?

NO (PROBABLY)

United States Analysis

In addition to the "litigation" and "temporal" (anticipation) elements, the work product doctrine also depends on satisfying the "motivation" element.

The materials must have been motivated by the litigation, and would not have been created in the same form if there had been no anticipated litigation.

Materials required by the government or company policy almost surely will not meet this requirement.

- In some situations it might be appropriate to prepare parallel materials only in those circumstances when the company anticipates litigation.

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In analyzing materials created during corporate investigations, courts examine: (1) the initiating documents (looking for any mention or analysis of possible litigation); (2) the course of the investigation (including the involvement of lawyers as an indication that the company was not engaging in the ordinary course of its business); and (3) the results of the investigation (looking for a business use, which would tend to show that litigation was not a motivating force).

Best Answer in the United States:

The best answer to (**a**) is **NO**, the best answer to (**b**) is **NO**, and the best answer to (**c**) is **NO (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, pages 79-82 of 102

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Fact Work Product

Hypothetical 49

You are preparing a privilege log, and trying your best to determine if you can assert work product protection.

Can the work product doctrine protect:

(a) A picture of an accident scene involving one of your company's trucks, showing the accident scene and a large crowd of bystanders?

YES

(b) A court reporter's transcript of a raucous meeting in a high school gymnasium at which residents denounced your company's response to a chemical leak?

YES

(c) An e-mail in which you advised your assistant that the witness you are preparing for a deposition would like a roast beef sandwich for lunch?

YES (PROBABLY)

United States Analysis

Unlike the attorney-client privilege (which focuses on the content of communications), the work product doctrine focuses primarily on the context of the materials' creation.

If the document was created during or in connection with anticipated litigation, and was motivated by the litigation, it can deserve work product protection even if it does not convey any important substantive message.

The work product doctrine can protect such materials as pictures of an accident scene and a court reporter's transcript.

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- These materials would not have been created but for litigation or anticipated litigation.
- Their protection also highlights the fact that the work product doctrine protection does not depend upon confidentiality.

Although most litigants would not withhold such an innocuous document as a lunch order, it too can meet the basic requirements of the work product doctrine.

Best Answer in the United States:

The best answer to (**a**) is **YES**, the best answer to (**b**) is **YES**, and the best answer to (**c**) is **YES (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, pages 82-83 of 102

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Opinion Work Product

Hypothetical 50

You have been heavily involved in defending your client/employer in a breach of contract lawsuit.

Will the heightened "opinion" work product doctrine apply to:

(a) A memorandum to your client assessing how the jury would react to a third-party witness you are considering calling in your case?

YES

(b) A memorandum prepared by your client's regular accountant assessing whether the witness accurately described various financial concepts?

YES

(c) A verbatim transcript of your interview of a third-party witness?

MAYBE

(d) The identity of that witness (she was listed as someone with knowledge, but your adversary now seeks the names of every witness you interviewed)?

MAYBE

(e) The identity of five documents (produced by your adversary in the litigation) that you reviewed with the witness during your interview?

YES (PROBABLY)

United States Analysis

"Opinion" work product deserves higher protection than regular fact work product.

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The heightened protection clearly applies to materials that contain a lawyer's or other client representative's opinions or evaluations.

- Examples "a" and "b" fall into this category.

The opinion work product doctrine can also protect materials that reflect a lawyer's opinion.

- For instance, a verbatim transcript of a witness interview probably would not deserve opinion work product if the lawyer simply asked "tell me what happened," but probably would deserve work product protection if the lawyer asked a series of pointed questions focusing on particular issues.
- Example "c" falls into this category.

Courts disagree about whether the opinion work product protects such information as the identify of witnesses that a litigant's lawyer decides are important enough to interview.

- Example "d" falls into this category.

The so-called Sporck doctrine can protect a lawyer's selection of a small number of documents selected as especially important out of a larger universe of documents that is also available to the other side.

- Example "e" falls into this category.

Best Answer in the United States:

The best answer to (**a**) is **YES**, the best answer to (**b**) is **YES**, the best answer to (**c**) is **MAYBE**, the best answer to (**d**) is **MAYBE**, and the best answer to (**e**) is **YES (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, pages 83-85 of 102

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Overcoming Fact Work Product Protection

Hypothetical 51

Your adversary is challenging your work product claims.

Is your adversary likely to succeed in her efforts to obtain:

(a) A picture of the accident scene that your client took immediately after the accident -- and two years before you filed the lawsuit?

YES

(b) Notes you took while interviewing a third-party witness, which might reflect answers that differ from the witness's recent deposition testimony?

NO (PROBABLY)

(c) An e-mail you wrote your assistant indicating that a witness wanted a roast beef sandwich at lunch?

NO

(d) A court reporter's transcript of a raucous meeting in a high school gymnasium at which residents denounced your company's response to a chemical leak?

YES

(e) Notes of your interview with a witness (known to the other side) who lives in California and refuses to travel to Virginia to be deposed or to testify at trial.

NO (PROBABLY)

(f) Your memorandum summarizing the recollection of a witness who can no longer be found, and also including your assessment of the witness's credibility?

YES (IN PART)

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United States Analysis

An adversary can overcome a litigant's work product protection if the adversary has "substantial need" for the materials, and cannot obtain the "substantial equivalent" without "undue hardship."

The "substantial need" element requires that the material go to a central part of the case.

- For instance, an e-mail about a lunch order would not meet that standard.
- Example "c" falls into this category.

Most courts require that the adversary establish "substantial need" with some certainty.

- For instance, a possibility that a lawyer's notes of a witness interview might provide impeachment material normally would not be enough to overcome the work product doctrine.
- Example "b" falls into this category.

An adversary's inability to obtain the "substantial equivalent" includes such situations as a contemporaneous picture, or notes of an interview of a witness who can no longer be located.

- Examples "a" and "f" fall into this category.

Determining "undue burden" involves cost, delay, and other impediments.

- Cost alone generally does not meet that standard.
- Example "e" falls into this category.

If the adversary cannot obtain the substantial equivalent without "undue hardship," some courts require the adversary to pay part of the cost of creating the materials.

- For instance, an adversary who can no longer obtain a court reporter's transcript might be obligated to pay half of the cost.
- Example "d" falls into this category.

If the adversary meets the standard for overcoming fact work product, the court normally will protect opinion work product.

- This sometimes involves redacting opinion work product.
- Example "f" falls into this category.

Best Answer in the United States:

The best answer to (**a**) is **YES**, the best answer to (**b**) is **NO (PROBABLY)**, the best answer to (**c**) is **NO**, the best answer to (**d**) is **YES**, the best answer to (**e**) is **NO (PROBABLY)**, and the best answer to (**f**) is **YES (IN PART)**,

REFERENCE: In-House Lawyer's Guide, pages 85-87 of 102

Overcoming Opinion Work Product Protection

Hypothetical 52

Your adversary just filed another motion seeking materials that you claim to be work product.

Is your adversary likely to succeed in her efforts to obtain:

(a) A memorandum assessing the likelihood that the jury will dislike one of your witnesses?

NO

(b) A memorandum providing your opinion about damage sustained by the truck driven by your company's driver -- which was involved in the accident giving rise to the litigation, but which was later destroyed in a warehouse fire?

MAYBE

United States Analysis

Every court agrees that opinion work product receives a higher lever of protection than fact work product.

Some courts provide absolute protection, while other courts provide a somewhat lower level of protection.

A court which does not absolutely protect opinion work product might require its production in such unusual circumstances as the destruction of physical evidence.

- Example b falls into this category.

Best Answer in the United States:

The best answer to (**a**) is **NO**, and the best answer to (**b**) is **MAYBE**.

REFERENCE: In-House Lawyer's Guide, page 87 of 102

Waiver of the Work Product Protection

Hypothetical 53

You are nearing the end of a long discovery period in high-stakes antitrust litigation, which has generated a large quantity of work product material that you are considering disclosing to third parties for various reasons.

Will you waive the work product doctrine protection by disclosing:

(a) Your interview note of a witness to another third-party witness who has expressed an interest in cooperating with you?

NO

(b) Your assessment of the litigation to the adversary during settlement negotiations?

YES (PROBABLY)

(c) Your memorandum explaining some of the surrounding circumstances to a state regulatory agency, in an effort to forestall formal investigation of your client/employer's activities?

YES

(d) Your memorandum explaining some of the surrounding circumstances to a federal regulatory agency, which has indicated that it might investigate the market activities of your adversary (but not your client/employer's activities)?

YES (PROBABLY)

(e) Your litigation description and analysis provided to your company's attest auditor?

NO (PROBABLY)

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United States Analysis

Because the work product doctrine does not rest on confidentiality (and often only temporarily protects materials that you ultimately intend to use at trial), the work product doctrine is much less fragile than the attorney-client privilege.

Work product materials generally can be shared with friends and allies, as long as it does not increase the risk of the work product "falling into enemy hands."

- Although a confidentiality agreement normally does not prevent waiver of privileged material shared with third parties, such an agreement can protect work product materials shared with a third party (because it demonstrates an effort to keep the materials away from the adversary).

In some situations, disclosing to third parties communications protected by both the attorney-client privilege and the work product doctrine will waive the former but not the latter.

- For instance, Martha Stewart shared with her daughter an e-mail she sent to her lawyer (which the court found deserved both privilege and work product protection). The court found that Stewart had waived the privilege but not the work product protection.

Sharing work product with an adversary waives that protection.

- Example "b" falls into this category (although some courts find that disclosure during settlement negotiations might not waive the work product protection).

Sharing work product with a friendly third party generally does not waive the protection.

- It is not necessary that third party be part of "common interest" arrangement.
- Example "a" falls into this category.

Except in the Second Circuit, sharing work product with an adversarial governmental agency generally waives the work product protection.

- Example "c" falls into this category.

Courts disagree about the waiver effect of sharing work product with a governmental agency that might be an ally.

- Example "d" falls into this category.

Before Enron and related scandals, most courts held that sharing work product with an attest auditor did not waive the work product protection, because the auditor was not an adversary.

- One post-Enron case found that such disclosure caused a waiver, but several decisions since then have returned to the traditional approach.
- Example "e" falls into this category.

Best Answer in the United States:

The best answer to (**a**) is **NO**, the best answer to (**b**) is **YES (PROBABLY)**, the best answer to **(c)** is **YES**, the best answer to (**d**) is **YES (PROBABLY)**, and the best answer to (**e**) is **NO (PROBABLY)**.

REFERENCE: In-House Lawyer's Guide, pages 88-91 of 102

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