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L A W Y E R S

In-House Corporate Communications: Attorney-Client Privilege and Document Disclosure Obligations in Litigation

Introduction

Corporate executives, management, general counsel and other in-house lawyers should be vigilant constantly concerning whether in-house communications with corporate counsel or with business executives who are also lawyers would be protected from disclosure obligations in the event of litigation involving the company. There is an ever-developing body of judicial decisions that reflect closer scrutiny of claims of attorney-client privilege, even where a communication's participants include lawyers. This article reviews some of these decisions, and provides information that corporate counsel and senior executives and management should consider in managing in-house communications. This may be particularly relevant to electronic communications given their common use in today's business environment. In certain circumstances, the lessons arising from these decisions may also be relevant to communications with outside counsel.¹

Attorney-Client Privilege: A Primer

Generally, while most communications are subject to disclosure or discovery in litigation, the attorney-client privileged communication is an exception to that general rule. The privilege protects **certain** communications by a client to the lawyer as well as responsive communications from the lawyer to the client. Since 1950, many courts across the country have defined the attorney-client privilege by reference to a federal district court decision from Massachusetts:

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 on the law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of

¹ This article does not consider other potentially applicable privileges, such as the attorney work-product privilege. Similarly, this article does not address the still nascent question of the degree to which wireless e-mail communications have sufficient expectations of confidentiality and privacy to support claims of attorney-client privilege. Given the current state of technology, there are reasonable arguments to support privilege claims for wireless communications; however, there is little guidance available to date.

committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client.

United States v. United Shoe Machinery Corp., 89 F.Supp. 357, 358-59 (D. Mass. 1950). This succinct definition is packed with important language, without much wasted verbiage. Other courts have adopted similar definitions. While the focus initially is on the original communication by the client to the lawyer in which the client seeks legal advice, the privilege is ordinarily applied to the responsive communication:

The responsive communication from the attorney to the client is protected only to the extent that the response reveals the content of the client's prior confidential communication. Many judges, however, tend to interpret this restriction as giving protection to the attorney's advice (either regardless of what it reveals from prior communications from the client, or on the assumption that it will always disclose such confidences) and enforcing the derivative rule [giving protection to the responsive communication] only for factual communications

In re Vioxx Products Liability Litigation, 501 F.Supp.2d 789, 795 (E.D. La. 2007). As with *United Shoe Machinery*, this opinion is from a federal district court. As a technical matter, it is not binding on state or federal courts in other jurisdictions. However, if other courts find its reasoning persuasive, this opinion could be influential well beyond the State of Louisiana. This opinion is discussed in further detail later in this article.

The attorney-client privilege applies to protect corporations as clients, of course. See *Upjohn Co. v. United States*, 449 U.S. 383, 101 S.Ct. 677 (1981). In the corporate setting, the privilege "protects communications between those employees and corporate legal counsel on matters within the scope of their corporate responsibilities, as well as communications between corporate employees in which prior advice received is being transmitted to those who have a need to know in the scope of their corporate responsibilities." *Vioxx*, 501 F.Supp.2d at 796.

Is the Communication's Primary Purpose for Legal Advice? Is the Communication Privileged if Legal and Business Advice are Combined?

As noted in the 1950 *United Shoe Machinery* decision, for the privilege to apply, the **primary purpose** of the communication must be for the purpose of securing or giving legal advice or assistance. This sounds simple enough, but challenges arise:

It is often difficult to apply the attorney-client privilege in the corporate context to communications between in-house corporate counsel and those who personify the corporate entity because modern corporate counsel have become involved in all facets of the enterprises for which

they work. As a consequence, in-house legal counsel participates in and renders decisions about business, technical, scientific, public relations, and advertising issues, as well as purely legal issues.

501 F.Supp.2d at 797. “Many courts fear that businesses will immunize internal communications from discovery by placing legal counsel in strategic corporate positions and funneling documents through counsel As a result, courts require a clear showing that the attorney was acting in his professional legal capacity before cloaking documents in the privilege’s protection.” Rice, 1 Attorney-Client Privilege in the United States, § 7:2, pp. 24-25 (Thomson West 2d ed. 1999), *quoted in Vioxx*, 501 F.Supp.2d at 797.

Consequently, business advice provided by a lawyer that is unrelated to legal advice may not be found to be subject to the attorney-client privilege. See *In re CFS-Related Securities*, 223 F.R.D. 631 (N.D. Okla. 2004). Therefore, executives and management should be cognizant that if the corporation utilizes the non-legal expertise of counsel, communications relating to such communications likely will not be privileged and protected from disclosure unless the primary purpose of the communication is to obtain legal advice. In addition, in the event of litigation, where lawyers are involved in more than just providing legal advice, there may be additional work required in separating privileged from non-privileged communications as part of the discovery process or defending claims of privilege.

In the event a client requests advice or where counsel determines it necessary to include business advice in communications providing legal advice, the entire communication may be still subject to the attorney-client privilege if the court determines that the advice is inextricably linked. So, according to the federal district court in Louisiana, “correct[ing] grammatical mistakes and propos[ing] alternative language that will best serve the client’s interests” is permissible and protected under the privilege in the context of principally providing legal advice. Again, “[t]he test for the application of the attorney-client privilege to communications with legal counsel in which a mixture of services are sought is whether counsel was participating in the communications primarily for the purpose of rendering legal advice or assistance. * * * The lawyer’s role as a lawyer must be primary to her participation.” *Vioxx*, 501 F.Supp.2d at 798.

These circumstances cause the courts to be vigilant in determining the primary or authentic purpose of communications with counsel. It is important to remember that the burden of establishing the existence of the privilege lies with the corporation. In this context, the corporation must be prepared to demonstrate that the primary purpose of communications sought to be protected was for the purpose of securing or receiving legal advice or legal services.

Does being Heavily Regulated Change the Privilege Analysis?

Many companies operate in areas or industries that are subject to heavy or pervasive governmental regulation. Thus, the question arises whether the existence of pervasive regulation broadens the appropriate role of the lawyer and changes the scope of the attorney-client privilege. According to United States District Judge Fallon in Louisiana:

Without question, the pervasive nature of governmental regulation is a factor that must be taken into account when assessing whether the work of the in-house attorneys in the drug industry constitutes legal advice, but those drug companies cannot reasonably conclude from the fact of pervasive regulation that virtually everything sent to the legal department, or in which the legal department is involved, will automatically be protected by the attorney-client privilege. * * *

The fact that the industry is so pervasively regulated does not justify dispensing with each company's burden of persuasion on the elements of the attorney-client privilege. Indeed, many of the documents that we examined appeared to reflect far more technical, scientific, promotional, marketing, and general editorial input from lawyers than would be expected of a legal department primarily concerned about legal advice and assistance. . . . it was Merck's burden to successfully establish [the privilege] on a document-by-document basis.

501 F.Supp.2d at 800-801. As the Court noted, one of the key elements of the burden of persuasion is to demonstrate the "primacy of services being rendered was . . . legal in nature." *Id.* at 801. In many cases, Merck ultimately was able to support its position.

What Guidelines Should a Corporation Follow?

Generalities are dangerous in this context, and there may be no clear, safe harbor until there is further judicial discussion of the matters addressed here. But, from some of the recent authority, there are a few points to consider:

- The client and lawyer each can help support a subsequent claim of privilege by using clear language in their communications that the communications relate to requests for delivery of legal services or advice.
 - For example, the client might say: "I would like your legal advice concerning . . ." or, "Please provide a legal opinion on"
 - And, for the lawyer: "In response to your request for legal advice"

- These phrases are not required to support a privilege claim, but their use may assist the court in determining whether the primary purpose of the communication was for legal advice.
- Labeling communications as privileged and confidential, when judiciously applied, can help demonstrate that the client has an expectation of confidentiality and intends the communication to be privileged. Two caveats should be considered: First, if one labels every communication that includes a lawyer as a recipient among a series of recipients, that act may undermine the benefit of the label on communications that really are privileged. Second, if one sends a communication that really is privileged, but forgets to label it as such, the absence of the label could be argued to reflect an intent that the communication was not intended to be confidential and privileged.
- Be sure to check and double-check the list of people to whom you are sending the e-mail communication to be sure not to send something to the wrong person inadvertently. While steps can be taken to help preserve privilege for inadvertent disclosures, the best practice is to avoid inadvertent disclosure.
- Memoranda or e-mails addressed only to a lawyer requesting legal advice concerning an identifiable legal question should be privileged.
 - Attachments to such communications, where the author is seeking legal advice following the lawyer's review of the attachment, should also be privileged.
 - However, if the attachment is a technical paper or marketing materials or other material not perceived by the court as being related to normal legal services, a court may require some specific information to meet the burden of establishing that the communication is primarily for legal services.
- The lawyer's response to a request for legal advice - and which provides legal advice - should be privileged. This is true even if the lawyer also includes editorial and grammatical revisions, together with her legal advice.
- A lawyer's comments on legal instruments, such as contracts, patent applications are more likely to be considered privileged than a lawyer's comments on technical or scientific reports or studies.
- The preparation of a response to a governmental agency's warning or allegation of a regulatory violation may be more likely to be considered like the preparation of a pleading, and therefore more prone to a finding of privilege. Again, as noted above, we do not address issues of work-product privilege here. The point here is that courts may be more likely to recognize

that the purpose of communications relating to the preparation of responses to notices of violation are more likely to be considered within the realm of legal advice.

- Communications by a lawyer with corporate employees to gather information to respond to government notices of violation and similar activities should be considered privileged.
- Similar communications by a lawyer with corporate employees concerning documents that are not considered of a legal nature may not be privileged.
- The attorney-client privilege may not apply to communications from the attorney conveying information that the lawyer acquired from third parties.
- The attorney-client privilege may not apply “when in-house lawyers were electronically rendering their advice (in the form of line edits) on a non-privileged attachment to non-privileged client communications and then [the defendant] claimed that the non-privileged attachment became privileged because of the advice” provided by its lawyers. In this case, it is possible that the advice is privileged, but not the underlying document.
- E-mail messages addressed to lawyers and non-lawyers for review, comment and approval may not pass the test that the communication was for the primary purpose of obtaining legal advice. However, it is possible that the company would be able to establish that the non-lawyers were included in the communication simply to notify them about the nature of the legal advice being sought.
- Communications forwarding legal advice to other employees should be privileged if the communication serves to advise others of the legal advice, and those recipients had reason or need to know.
- Communications to lawyers serving mixed purposes, both legal and business, are likely not privileged, particularly if those communications are sent to non-lawyers as well.
- When the time comes to send a document that has been the subject of privileged communications to third parties, such as a person with whom the company is negotiating, be sure to send a version that has all metadata scrubbed from it to avoid any inadvertent disclosure of deliberative, in-house discussions.
- Claims of privilege require specific support on a document by document basis. The burden of proof is on the company to establish the elements of the

privilege. This proof usually is provided by individuals with personal knowledge of the nature and purpose of the communications.

- When dealing with an e-mail string, with a series of communications, each e-mail communication requires separate justification of the claimed privilege.

Conceivably, this article raises as many questions as it answers. However, it is our hope that this provides some guidance and identifies areas for discussion between in-house counsel and executives and management to assist companies in managing communications intended to be privileged communications. For questions regarding attorney-client privilege, please feel free to contact Walter Stern, 505-848-1837 or western@modrall.com or members of Modrall Sperling's Litigation Department.