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Protecting the Attorney-Client and Work Product Privileges as In-House Counsel

The attorney-client and work product privileges are essential tools that attorneys—both outside and in-house counsel—bring to their client relationships. The privileges—which protect information from *compelled* disclosure—are a subset of the broader ethics rule requiring attorneys to protect client confidences in the interest of "contribut[ing] to the trust that is the hallmark of the client-lawyer relationship." Model Rules of Pro. Conduct r. 1.6 cmt. 2–3 (Am. Bar Ass'n 2020).

The attorney-client privilege can shield communications between in-house counsel and corporate employees from compelled disclosure in judicial and other proceedings. *See Scott & Stringfellow, LLC v. AIG Com.Equip. Fin., Inc.*, No. 3:10CV825-HEH-DWD, 2011 WL 1827900, at *2 (E.D. Va. May 12, 2011) ("[t]here is no dispute that attorney-client privilege applies to corporations or that attorney-client privilege may protect communications between in-house counsel and corporation employees of all levels."). Courts, however, often express skepticism about whether the privilege truly applies and, especially when considering in-house counsel privilege claims, find that the attorney-client privilege should be "strictly confined within the narrowest possible limits consistent with the logic of its principle." *Id.* (quoting *In re Grand Jury Proc.*, 727 F.2d 1352, 1355 (4th Cir.1984)). Importantly, the party asserting attorney-client privilege has the burden of demonstrating that the privilege applies. *See id.*

Yet in-house counsel often play a dual role: working on both legal *and* business matters. For this reason, a recent trend shows that courts carefully inspect assertions of privilege in the in-house counsel context. In a nutshell, "in light of the two hats often worn by in-house lawyers, communications between a corporation's employees and its in-house counsel though subject to the attorney-client privilege must be scrutinized carefully to determine whether the predominant purpose of the communication was to convey business advice and information or, alternatively, to obtain or provide legal advice." *Pearlstein v. BlackBerry Ltd.*, No. 13-CV-07060 (CM) (KHP), 2019 WL 1259382, at *4 (S.D.N.Y. Mar. 19, 2019).

This article examines the recent trend of close judicial scrutiny on assertion of the attorney-client and work product privileges in the in-house context. We use eight case studies to explore themes and trends relating to in-house counsel privilege and provide practical tips for in-house attorneys (and the outside attorneys working with them) to navigate the sometimes-turbulent privilege waters.

The Lawyer as a Strategic Planner

RCHFU, LLC v. Marriott Vacations Worldwide Corp., No. 16-cv-1301-PAB-GPG, 2018 WL 3055774 (D. Colo. May 23, 2018).

Facts: This matter involved a discovery dispute over, among other documents, a "strategic plan memorandum." *RCHFU, LLC*, 2018 WL 3055774, at *1. The memorandum, which was sent to Marriott's Corporate Growth Committee, had been prepared by multiple attorneys within Marriott's legal department over six months. In discovery, Marriott produced the memorandum to plaintiffs with some content redacted; when plaintiffs demanded an unredacted version, Marriott asserted attorney-client privilege over the redacted content. Plaintiffs then filed a motion to compel production of the unredacted document.

Outcome and Reasoning: The court first observed that, when determining whether the document was protected from disclosure, "it is not the fact that lawyers may prepare a document which is ultimately determinative." *Id.* at *3. Instead, Marriott had to "clearly demonstrate that the communication in question was made for the express purpose of securing legal not business advice." *Id.* (quoting *Kramer v. Raymond Corp.*, No. 90–5026, 1992 WL 122856, at *1 (E.D. Pa. May 29, 1992). Using this framework, the court determined that —despite the memorandum having been prepared by in-house attorneys—the *primary* purpose of the memorandum was to develop a successful strategy for operating a segment of Marriott's business, and *not* to provide legal advice.

The court did find that the memorandum contained some legal (as well as business) advice, but that the two were intertwined and the legal advice did not "predominate." Id. The court then went one step further and ruled that by intertwining legal advice in a document that predominantly contained business advice, "an implicit waiver of the attorney-client privilege [had] occurred" as to the legal advice. *Id.* at *4.

Practical Tip: When offering both business and legal advice, avoid "intertwining" the two in a single document. Instead, consider placing the legal advice in a separate

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addendum to the memorandum, or even placing it in an entirely separate memorandum. If the business and legal advice *must* appear in the same document, place the legal advice in separate, clearly labeled sections.

General Counsel Acting as Business Employee

Scott & Stringfellow, LLC v. AIG Com. Equip. Fin., Inc., No. 3:10cv825–HEH–DWD, 2011 WL 1827900 (E.D. Va. May 12, 2011).

Facts: In a discovery dispute over 523 documents, the parties came to an agreement on all but ten emails. The court reviewed those ten emails, over which defendant AIG claimed attorney-client privilege, to determine if they were protected from disclosure.

Outcome and Reasoning: Of the ten emails at issue, the court found that two were protected by the attorney-client privilege. These two emails were written by an AIG employee who served in two roles: General Counsel, a "clearly legal role," and Senior Vice President, a business role. *Scott & Stringfellow, LLC,* 2011 WL 1827900, at *4. The two protected emails demonstrated on their face that they were intended to provide legal advice—for example, the subject line labeled the document as "Attorney Work Product," and the substance of the document contained legalese-type phrases indicating the sender's intent to communicate a legal opinion, such as "you asked me for a summary of what I believe," and "I believe we can reasonably take the position that. . ." *Id.* The court ruled that the remaining eight emails were *not* protected from disclosure, despite in-house counsel's involvement, because they appeared to concern only business issues and made no reference to legal issues or requests for legal advice.

Practical Tip: When providing legal—as opposed to business—advice, consider labeling your email as subject to the attorney-client and/or work product privileges (as applicable) and consider using substantive language that makes it clear that you are providing a legal opinion.

Investigations for Non-Legal Purposes

Pearlstein v. BlackBerry Ltd., 13-CV-07060 (CM)(KHP), 2019 WL 1259382 (S.D.N.Y. Mar. 19, 2019).

Facts: This putative class action involved Blackberry's response to a market research report stating, among other things, that return rates on the Blackberry Z10 smartphone were "exceptionally high." *Pearlstein*, 2019 WL 1259382, at *1. At the direction of its Chief Legal Officer, Blackberry issued a responsive press release in short order. The press release refuted the market research report, stating that return rates were at or below forecasted rates, and called on authorities to investigate "misleading comments" in the report. *Id.* at *13. In discovery, plaintiffs sought, among other things, internal emails and other documents relating to the development of the press release.

Outcome and Reasoning: Although the investigation was conducted at the direction of the company's Chief Legal Officer, the court found that "the fact investigation into Z10 sales and return rates prior to issuance of the press release would have been conducted regardless of any legal advice and, thus, communications pre-dating the press release were predominantly for business purposes." *Id.* at *15. The court thus found that some of the disputed materials were *not* protected from disclosure.

Certain documents requested attorney review of the legal disclaimer language Blackberry included in the press release. While the court observed that those communications *could* have been protected by attorney-client privilege given the request for legal advice, the court ruled that privilege had been waived because the emails requesting attorney review had copied Blackberry's public relations consultant. In this instance, the court observed that "when a public relations consultant has performed *nothing other than standard public relations services*, the normal rule applies and disclosure of privileged communications to the consultant will result in a waiver." *Id.* at *6 (emphasis added).

Practical Tip: Internal investigations may not be wholly protected, even when conducted at the direction of in-house counsel. When conducting an internal investigation under time pressure, take some time up front to map out the individuals who need to be involved and how privileged information will be clearly labeled as such. Where an internal investigation involves a public relations consultant, carefully consider the consultant's role and what information needs to be shared with them.

Disclosure to Government Investigators

United States v. Coburn, No. 2:19-cr-00120 (KM), 2022 WL 357217 (D.N.J. Feb. 1, 2022).

Facts: Defendants had been accused of violating the Foreign Corrupt Practices

Act while employed as officers at Cognizant Technology Solutions Corporation. Under "threat of prosecution," Cognizant conducted an internal investigation and disclosed a summary of its investigative findings to the Department of Justice. The disclosure included (1) summaries of interviews, (2) summaries of documents and communications, and (3) a presentation to the Department of Justice. Defendants later subpoenaed related documents in litigation, claiming that "any privilege was waived by Cognizant's disclosure of these documents to the Government." *Coburn*, 2022 WL 357217, at *6.

Outcome and Reasoning: The court agreed with Defendants that "there was a significant waiver here" and ruled that by turning over certain materials to a "potential adversary" (the Department of Justice) Cognizant had "destroyed any confidentiality they may have had, undermining the purpose of both attorney-client and work-product privileges." *Id.* at *7.

In a sweeping and somewhat surprising ruling, the court held that waiver of privilege extended to (1) all "memoranda, notes, summaries, or other records of the interviews" that had been summarized for DOJ, (2) the "underlying documents or communications" that had been summarized for DOJ, and (3) all documents and communications that "formed any part" of any presentation, oral or written, to DOJ. *Id.*

Practical Tip: When conducting an internal investigation in response to potential government enforcement action, be mindful of the potential for waiver and attempt to seek advance agreement that proactive disclosure to the government will not result in subject matter waiver.

Over-Sharing Information

Argos Holdings Inc. v. Wilmington Tr. Nat'l Ass'n, No. 18cv5773(DLC), 2019 WL 1397150 (S.D.N.Y. Mar. 28, 2019).

Facts: This discovery dispute involved emails sent to three individuals at Argos, a corporate client, from attorneys at Argos's law firms. The three individuals served in two roles—they were members of Argos's Board and were also partners at BC Partners, a principal investor in Argos. While Argos and its Board were represented by the law firms sending the emails, BC Partners was *not* the law firms' client. In discovery, plaintiffs asserted that they had communicated with the three individuals in their capacity as clients—Argos Board members—and that the emails were therefore protected by attorney-client privilege.

Outcome and Reasoning: The court found that plaintiffs had not made a document-by-document presentation to demonstrate that the three individuals had in fact received the emails in their role as Argos Board members. Instead, plaintiffs had simply argued that the three individuals' "concurrent employment" by BC Partners "should be ignored," without explaining *why*. *Argos Holdings Inc.*, 2019 WL 1397150, at *4. Plaintiffs also did not explain, if the communications were indeed sent to the three individuals in their role as Argos Board members, why the *other* members of Argos's Board were not included on the emails. And finally, plaintiffs did not explain why the communications were sent to the individuals' BC Partners email addresses rather than to their Argos Board member email addresses. At bottom, the court simply found that "plaintiffs have not carried their burden" to explain why the documents were privileged. *Id.* at 5.

> ***Practical Tip:*** **When conducting an internal investigation in response to potential government enforcement action, be mindful of the potential for waiver and attempt to seek advance agreement that proactive disclosure to the government will not result in subject matter waiver.**

Practical Tip: Remember, *the burden rests on the proponent of the privilege to prove that the privilege applies.* When seeking to protect documents from disclosure on the basis of the attorney-client or work product privilege, provide an explanation for the basis of privilege over each and every protected document.

Forwarded Emails from Non-Lawyers

LPD New York, LLC v. Adidas Am., Inc., No. 15-CV-6360 (MKB), 2018 WL 6437078 (E.D.N.Y. Dec. 7, 2018).

Facts: In this breach of contract action between Adidas and LPD ("Life in Perfect Disorder"), Adidas withheld two emails and produced five with redactions. LPD moved to compel production of unredacted versions, while Adidas claimed the emails were protected by privilege. The emails fell into three categories: (1) emails between corporate non-lawyers that were forwarded to LPD's in-house counsel, (2) emails between non-lawyers that merely referenced LPD's in-house counsel, and (3) emails between non-lawyers which copied LPD's in-house counsel.

Outcome and Reasoning: The court ordered Adidas to produce the emails. As to the first category, the court found that the emails forwarded to in-house counsel were merely "transmittal letters" that did not include a request for legal advice and were therefore not privileged. *LPD New York, LLC*, 2018 WL 6437078, at *4. As to the second category, the court found that simply referencing in-house counsel did not, without more, render those documents privileged. Finally, as to the emails which copied in-house counsel and which *did* request legal advice, the court observed that "otherwise privileged communications to, from, or involving in-house counsel lose protection if they are disseminated beyond those business personnel that need to know 'the content of the communication in order to perform [their] job[s] effectively or to make informed decisions concerning, or affected by, the subject matter of the communication[.]'" *Id.* at *5. Here, the court found that Adidas had failed to identify the roles of the employees copied on the communications and whether they met the "need to know" standard to avoid waiver. *Id.*

Practical Tip: Carefully instruct non-lawyers with whom you work to clearly indicate when they are seeking legal advice from you. For example, if a non-lawyer is forwarding an email to an in-house attor-

ney for the purpose of requesting legal advice, the email should clearly state this.

Privilege Training for Employees

United States v. Google LLC, No. 1:20-cv-03010 (D.D.C. 2020).

Facts: The Department of Justice filed a case against Google claiming antitrust (monopolization) violations related to its search advertising. In the course of discovery, DOJ challenged Google's "Communicate with Care" privilege training for its employees, alleging that the training instructed employees to label "sensitive" written communications as privileged, to copy in an in-house attorney, and to ask the attorney for pre-textual, general legal advice even when legal advice was not needed. Mem. in Support of Pls.' Mot. to Sanction Google and Compel Disclosure at 2, ECF No. 326-1 *United States v. Google LLC*, No. 1:20-cv-03010 (D.D.C. Mar. 21, 2022). DOJ noted that, for many of the email chains involved, the in-house attorney never responded. As to these "silent attorney emails," the court asked Google to submit for the court's inspection a random sample of the emails that it withheld on privilege grounds. *See* Order at 2, ECF No. 338, *United States v. Google LLC*, No. 1:20-cv-03010 (D.D.C. Apr. 12, 2022).

Google fought back against DOJ's claims, arguing there was nothing nefarious about its training and that the training material represents "legitimate guidance" for how employees should communicate with in-house counsel. In fact, Google pointed out that its training material cautions that simply labeling an email as privileged does not automatically render it privileged and that attorney-client privilege does not safeguard all communications with an attorney. *See* Opp. to Pls.' Mot. to Sanction Google and Compel Disclosure at 4–5, ECF No. 328, *United States v. Google LLC*, No. 1:20-cv-03010 (D.D.C. Mar. 24, 2022).

Outcome and Reasoning: In a brief Minute Order, the court ordered Google to make sure all the emails in question "have been re-reviewed to the same extent" as the sample submitted to the court. Minute Order, *United States v. Google LLC*, No. 1:20-cv-03010 (D.D.C. May 12, 2022).

Practical Tip: When providing training to nonlawyer clients or preparing guidance for nonlawyer clients regarding the attorney-client privilege, be careful not to over-instruct. In particular, do not give clients the impression that privilege attaches if they simply copy an in-house lawyer on an email or other similar communication.

Legal Advice as a Significant or Primary Purpose

In re Grand Jury, No. 21-1397 (U.S. Jan. 23, 2023).

Facts: In October 2022, the United States Supreme Court granted certiorari in this matter to resolve the correct test for determining whether a "dual-purpose" communication—that is, one containing both legal and non-legal advice—is protected by attorney-client privilege. *See* Question Presented at 1, *In re Grand Jury*, No. 21-1392 (Jan. 23, 2023). While the standard articulated by the D.C. Circuit required that providing legal advice must be *one of the* "significant" purposes of the communications, the Ninth Circuit standard required that providing legal advice must be the "single primary purpose" of the communication. *See* Brief of Petitioner at 2, *In re Grand Jury*, No. 21-1397 (Nov. 16, 2022).

Outcome and Reasoning: Briefing concluded in this matter at the end of 2022, and the Supreme Court heard oral argument on January 9, 2023. Two weeks later, on January 23, 2023, the Supreme Court dismissed the writ of certiorari as "improvidently granted," without explanation, and therefore did not issue an opinion on the merits. Opinion at 1, *In re Grand Jury*, No. 21-1397 (Jan. 23, 2023) (per curiam).

Practical Tip: The standard for privilege protection can differ depending on the jurisdiction at issue, so make sure you consider which jurisdiction's privilege standard will apply and what that standard requires.

The attorney-client and work product privileges, like the broader rule on preserving client confidences, encourage clients to seek legal assistance and to share all relevant facts—even potentially embarrassing or damaging ones—with their lawyer. But, the road to privilege protection is paved with pitfalls, both for in-house counsel who wear "two hats"—business and legal—and the outside attorneys with whom they work. When working with nonlawyer corporate employees, outside counsel and each other, in-house attorneys should proactively develop, and follow, best practices to preserve the attorney-client and work product privileges.