FOLEY

FOLEY & LARDNER LLP

2022

CLE Week

December 5-16, 2022

Attorneys Who Wear Two Hats

- Dual purpose positions
- Dual purpose communications
- Is it attorney-client privileged or is it a regular business communication or is it both?

Review of Attorney Client Privilege

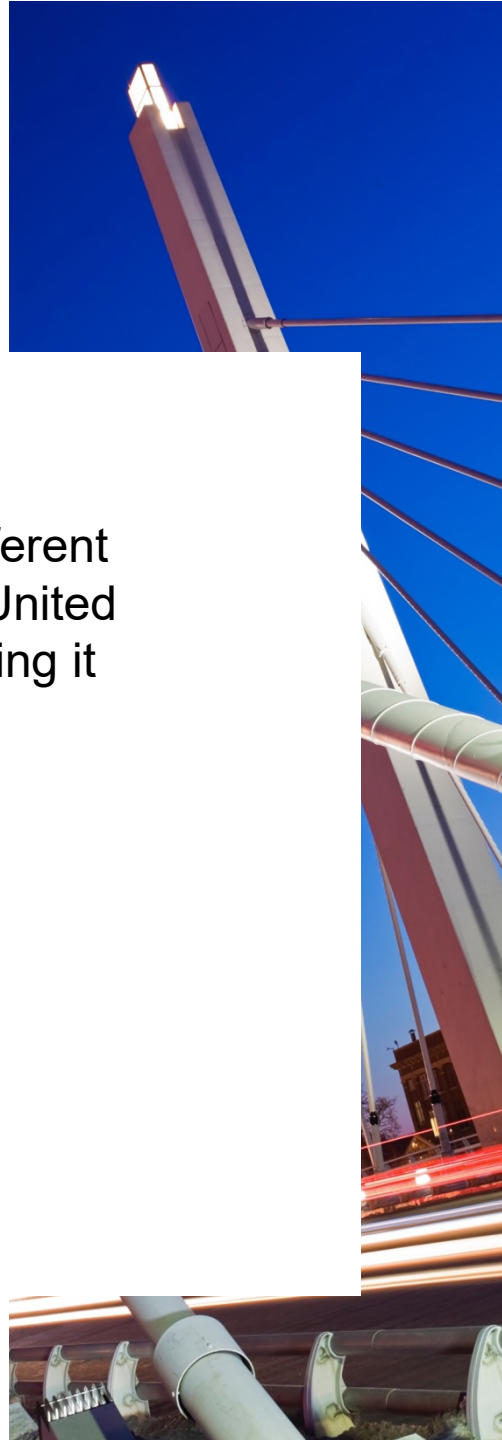
- The attorney-client privilege is one of the oldest recognized privileges for confidential communications. Swidler & Berlin v. United States, 524 U. S. 399, 403 (1998).
- The Supreme Court has stated that by assuring confidentiality the privilege encourages clients to make "full and frank" disclosures to their attorneys, who are then better able to provide candid advice and effective representation. Upjohn Co. v. United States, 449 U. S. 383, 389 (1981).

Review of the Elements of Attorney Client Privilege

- An asserted holder of the privilege, i.e. a business entity;
- A person to whom the communication was made is a Lawyer, i.e. a member of the bar of a court;
- In connection with the communication, the person is acting as an attorney;
- No third party is present during the communication; and
- The communication was made for the specific reason of providing *legal* advice, not *business* advice

Review of the Elements of Attorney Client Privilege

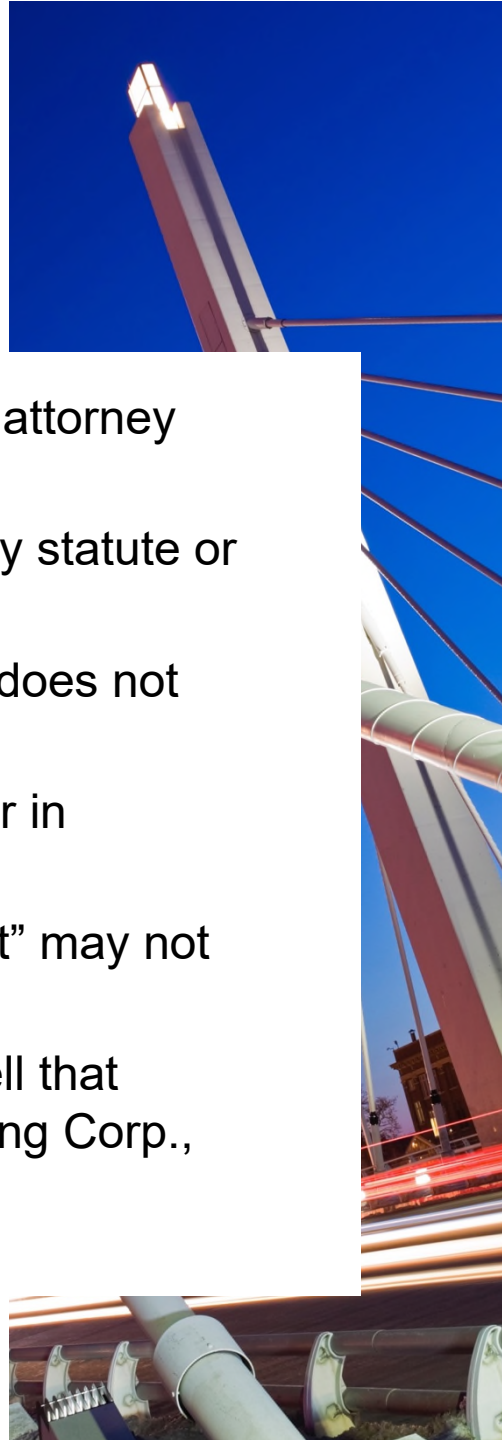
- The application of the attorney-client privilege does also vary slightly by state.
- For organizations that operate across borders, many foreign jurisdictions take a very different approach and application to privileges. Even though a communication originates in the United States and satisfies the requisites to be privileged, clicking “send” on an email and pushing it outside the country could be fatal to maintaining confidentiality.



Review of the Elements of Attorney Client Privilege

- Myths About the Attorney-Client Privilege
- An email between in-house counsel and an employee is always privileged
- An email in which in-house counsel is cc'd is always privileged
- An email that says "attorney-client privilege" in the subject line or in the body of the email is always privileged
- Attachments to a privileged email are always privileged
- Not so – need to ask:

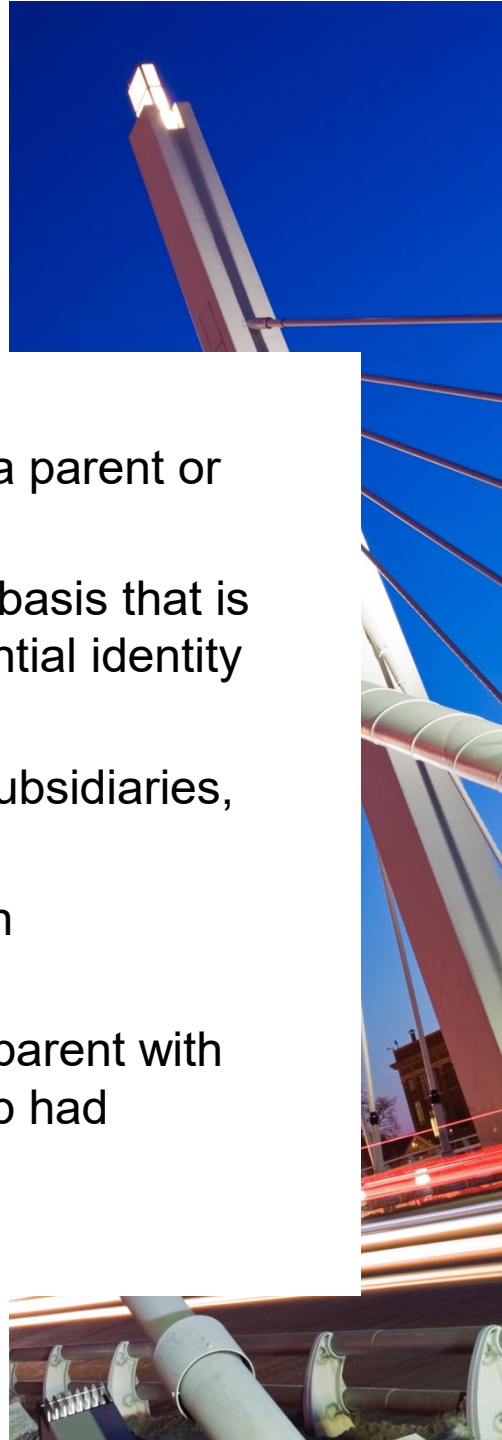
What About Work Product?



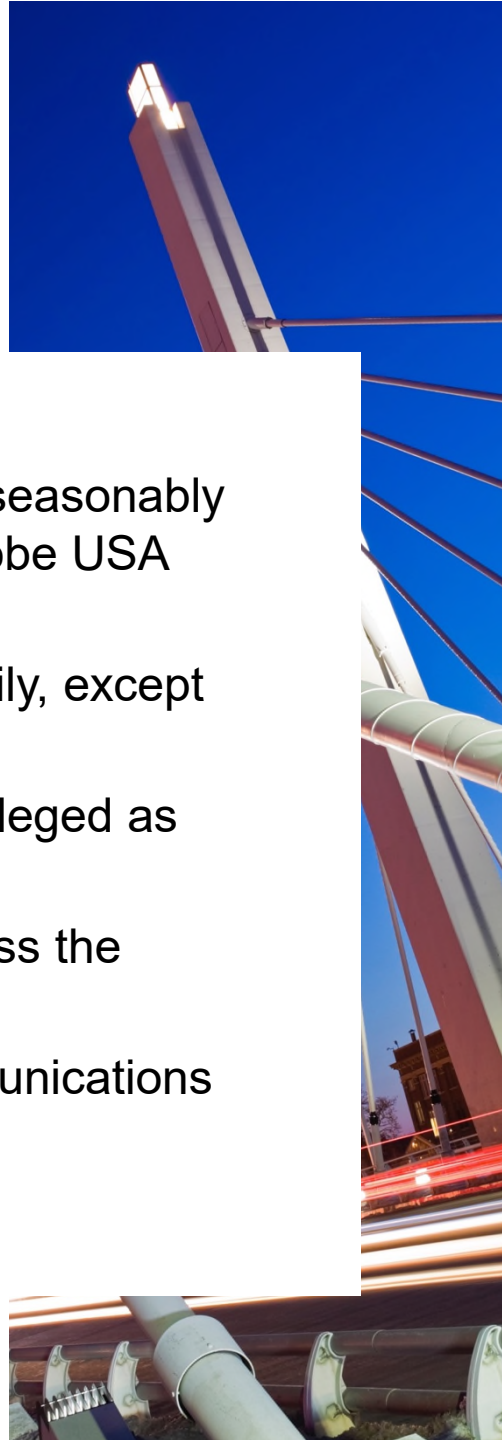
- Another source of protection from discovery by an outside party is available through the attorney work product doctrine.
- The difference between a doctrine and a privilege is that privileges are usually defined by statute or court rules and have a stronger effect.
- Solely because an attorney has prepared a work product, such as a memo or an email, does not make it automatically protected from disclosure.
- In order to be protected work product, it must be done in the context of *actual litigation* or in *anticipation of litigation* and created by a party's legal representative.
- Having an attorney put a label of "Privileged and Confidential" or "Attorney Work Product" may not be enough, especially if there is no actual or imminent threat of litigation.
- "The mere presence of a lawyer's name at the top or bottom of a document is not the bell that causes the dog named Privilege to salivate." Bell Microproducts, Inc. v. Relational Funding Corp., 2002 U.S. Dist. LEXIS 18121, *4 (N.D. Ill. Sept. 24, 2002).

Parent-Subsidiary Issues

- “A lawyer who represents a corporation or other organization does not, by virtue of that representation, necessarily represent any constituent or affiliated organization, such as a parent or subsidiary.” Model Rule 1.7, cmt. 34.
- Generally, corporate “client” can include subsidiaries “if the advice or assistance is on a basis that is confidential among the clients and relates to a matter in which the clients have a substantial identity of legal interest.” U.S. v. American Tel. & Tele. Co., 86 F.R.D. 603 (D.D.C. 1979).
- The distinction between wholly-owned/majority-owned subsidiaries and minority-owed subsidiaries, which “appear to have a corporate life of their own.”
- Even if not a “single” client, the privilege could be maintained under the “joint or common representation” theory.
- Where the sub is potentially adverse, there will be no privilege for advice shared by the parent with the sub. See Bowles v. Nat’l Ass’n of Home Builders, 224 F.R.D. 246 (D.D.C. 2004) (sub had engaged separate law firm on the issue).



Parent-Subsidiary Issues

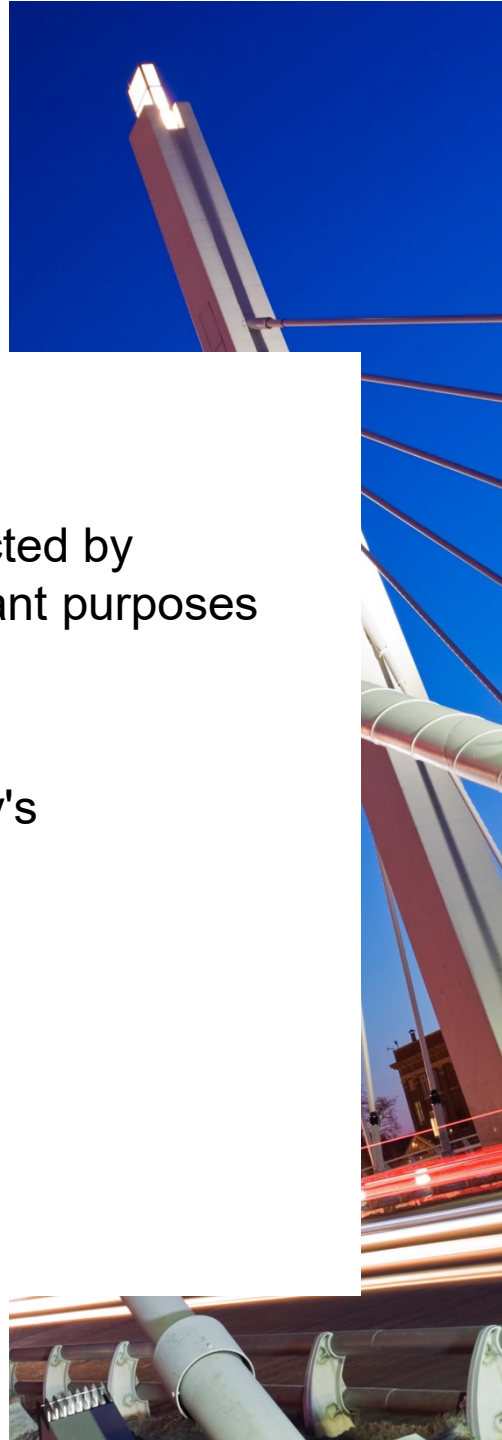


- In-house counsel can avoid losing control of privilege "[b]y taking care not to begin joint representations except when necessary, to limit the scope of joint representations, and seasonably to separate counsel on matters in which subsidiaries are adverse to the parent." Teleglobe USA Inc., v. BCE Inc., 493 F.3d 345 (3d Cir. 2007).
- A corporate parent may claim privilege against another entity in the same corporate family, except where represented by counsel jointly.
- Documents received by the parent's in-house counsel from outside counsel are not privileged as against the other entity if they relate to the joint representation.
- Parent's disclosure to officers who also serve a subsidiary does not waive privilege unless the officer is acting on behalf of the subsidiary at the time.
- Where the interests of parties jointly represented by counsel become adverse, all communications are discoverable as between the joint clients, even if owned by the same person/entity.

Dual Purpose Communications

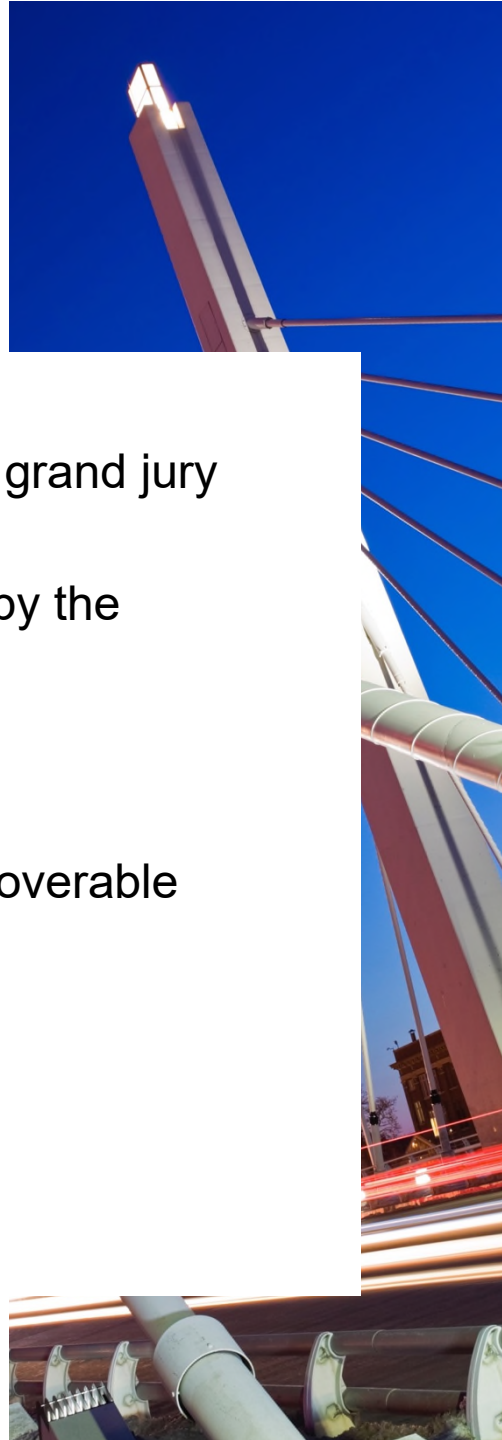
- When business advice is mixed with legal advice, the attorney-client privilege, and thus the confidentiality of the communications, can be jeopardized.
- Where these issues commonly arise:
  - Tax advice.
  - Internal audits and investigations.
  - Working with outside nonlawyer consultants and specialists.
  - In the context of all sorts of business transactions.

In re Grand Jury, Docket # 21-1397



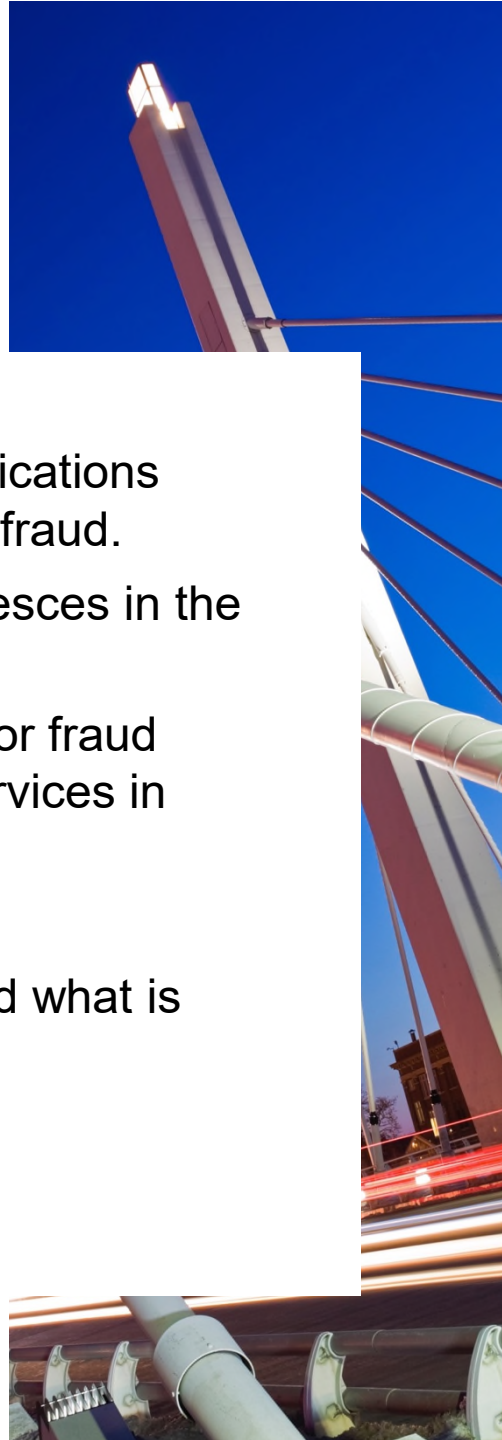
- Case before the Us Supreme Court which will be argued on January 9, 2023.
- The Issue: Whether a communication involving both legal and non-legal advice is protected by attorney-client privilege when obtaining or providing legal advice was one of the significant purposes behind the communication.
- Facts: The Petitioner is an unnamed law firm specializing in international tax
- The law firm advised a client company on the tax consequences of moving the company's operations outside of the United States.

In re Grand Jury, Docket # 21-1397



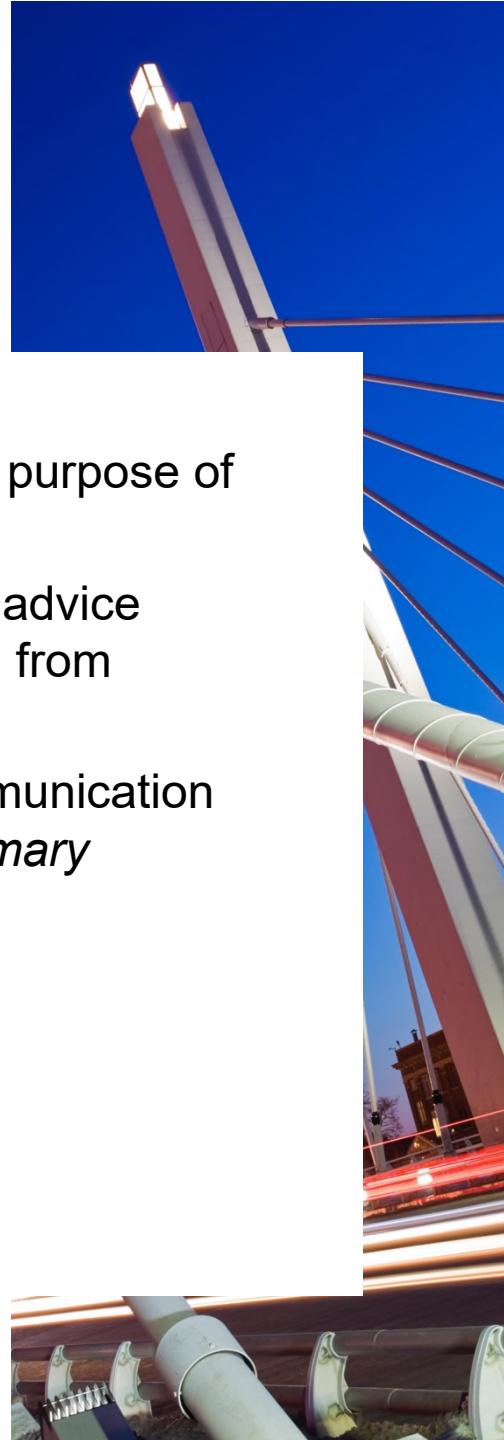
- Separately, the government began a criminal investigation into the company and issued grand jury subpoenas for documents and communications related to the tax expatriation.
- In response, the law firm withheld some communications, claiming they were protected by the attorney-client privilege.
- The government moved to compel the disclosure of documents.
- The law firm produced some but withheld others.
- The government argued that either the documents were not privileged or they were discoverable under the crime-fraud exception.

The Crime Fraud Exception to Attorney Client Privilege



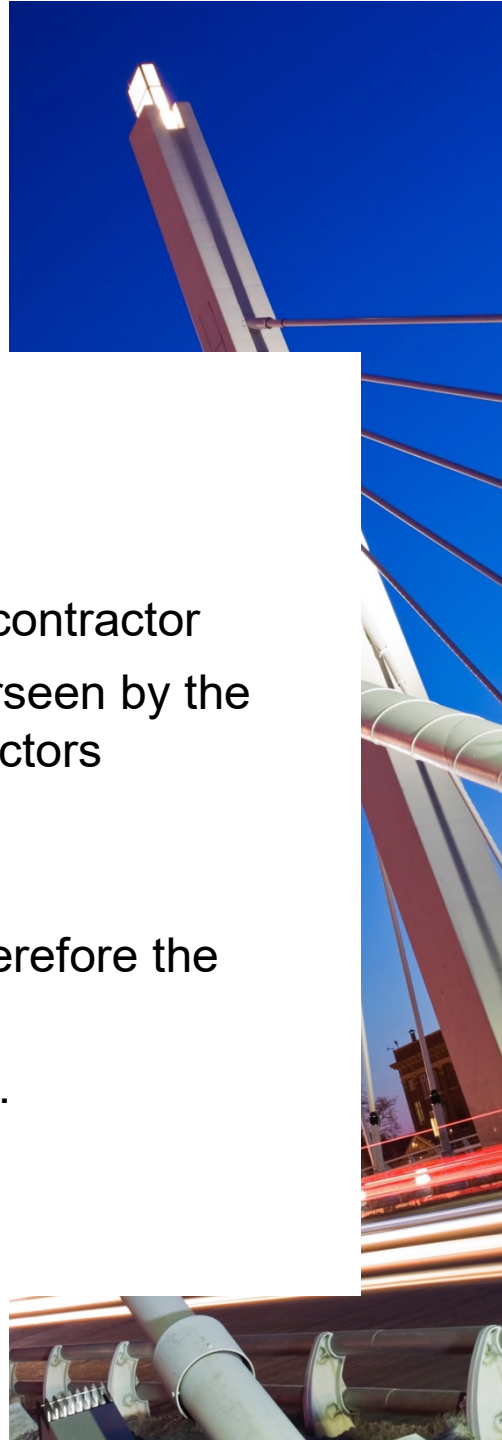
- Under the crime-fraud exception, the attorney-client privilege does not apply to communications when the client seeks the services of the lawyer for the purpose of engaging in crime or fraud.
- It is not required that the lawyer actually know the client's intent or that the lawyer acquiesces in the crime or fraud.
- In addition, the exception applies even when the client did not intend to commit a crime or fraud when he consulted the lawyer, but subsequently makes use of the lawyer's advice or services in connection with the crime or fraud.
- Only future (or ongoing) crimes or fraud trigger the exception.
- Communications concerning past crimes or fraud do not. (Determining what is future and what is past crime or fraud is not easy, however.)

In re Grand Jury, Docket # 21-1397



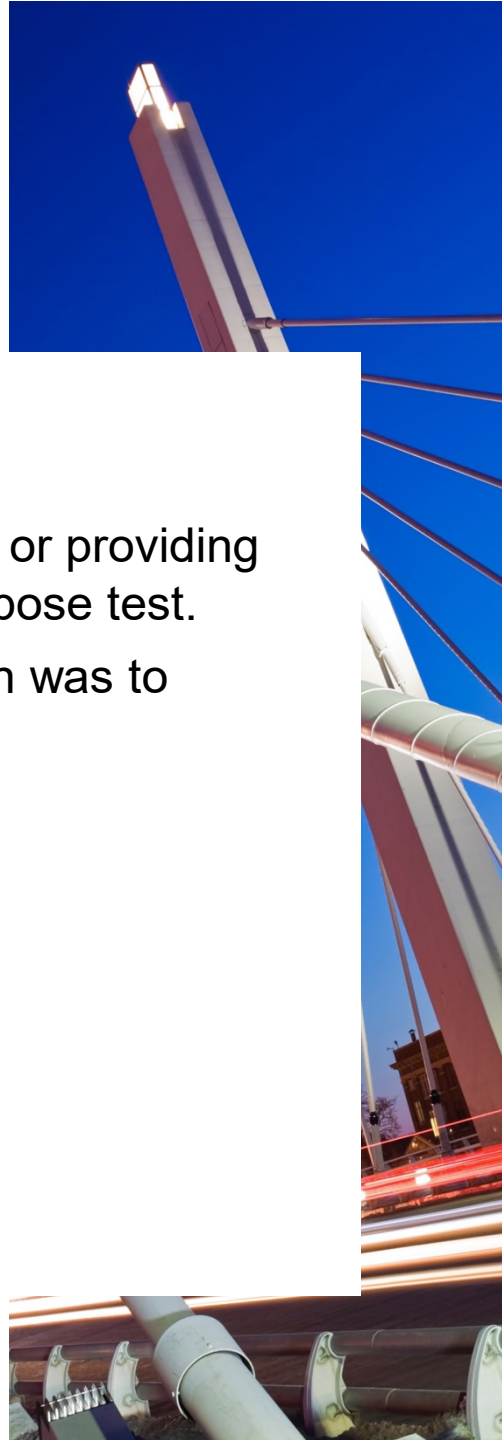
- The Ninth Circuit applied the "primary purpose" test, which looks at whether the primary purpose of the communication is related to legal advice or business advice.
- The Ninth Circuit determined the primary purpose of the communications was providing advice regarding tax strategies - i.e. business advice - which did not shield the communications from disclosure via the attorney-client privilege.
- Under the Primary Purpose Test which is a more narrow approach, where a mixed communication cannot be broken apart, the court has to make a decision as to the communication's *primary* purpose… business or legal advice?
- Was obtaining legal advice one of the significant purposes of the communications?

In re Kellogg Brown & Root, Inc. D.C. Circuit 2014



- There is a split in the Circuit Courts on the proper test to use.
- In re Kellogg Brown & Root, Inc., D.C. Circuit 2014.
- Facts: An employee, Barko, filed a False Claims Act complaint against KBR, a defense contractor
- KBR conducted an internal investigation pursuant to its Code of Business Conduct, overseen by the company's Law Department, into an alleged fraud concerning KBR and some subcontractors defrauding the U.S. Government
- During discovery, Barko sought documents related to KBR's internal investigation.
- KBR argued the internal investigation had been conducted to obtain legal advice and therefore the documents were protected by the attorney-client privilege
- Barko argued the documents were unprivileged business records that he was entitled to.

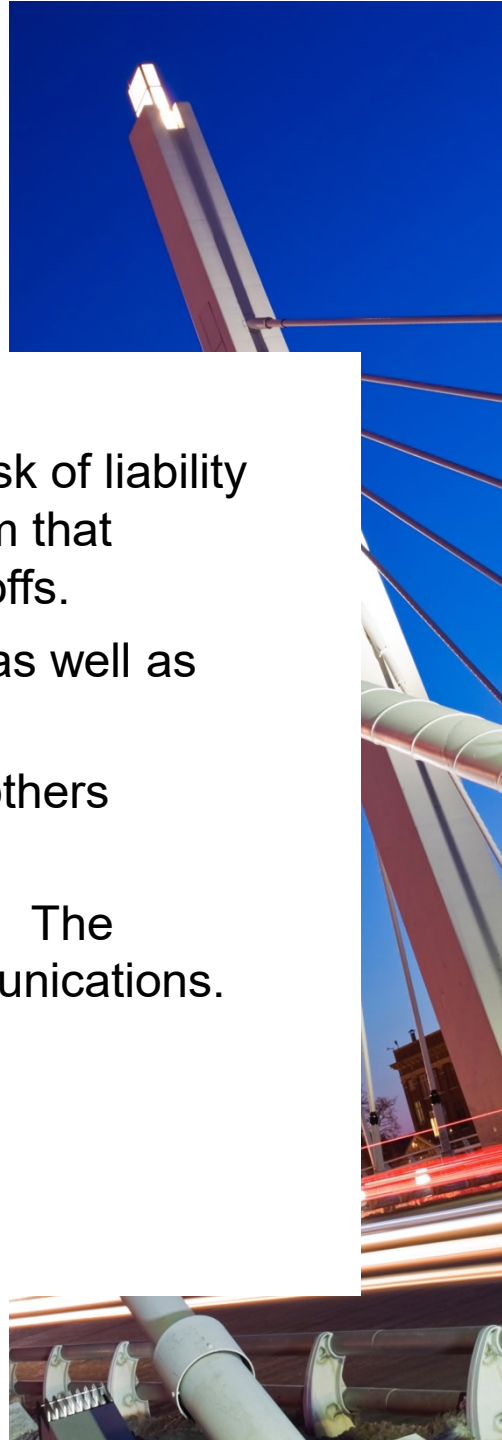
In re Kellogg Brown & Root, Inc. D.C. Circuit 2014



- In a decision written by then Judge (now Justice) Brett Kavanaugh
- The D.C. Circuit applied the "significant purpose" test, which looks at whether obtaining or providing legal advice is a primary purpose of the communication, not necessarily the primary purpose test.
- The D.C. Circuit determined if *one of* the significant purposes of the internal investigation was to obtain or provide legal advice, the attorney-client privilege will apply.

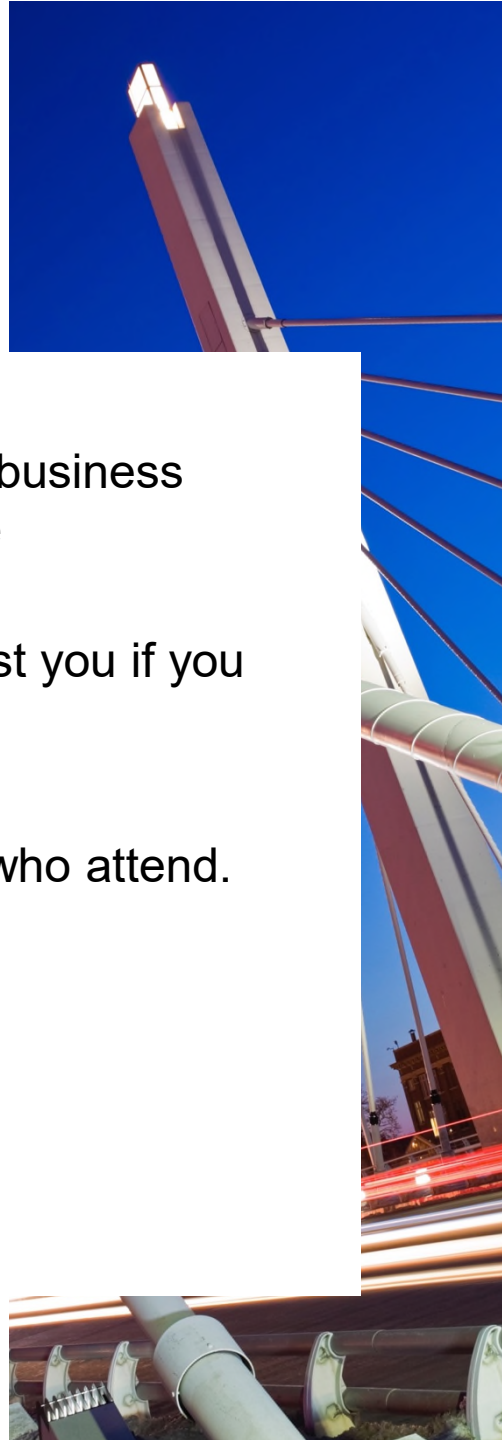
- In U.S. v Fredrick, the Seventh Circuit rejected both the primary purpose test and the significant purpose test.
- The Court determined a document prepared by someone who was both a lawyer and accountant who provided legal representation and prepared the tax returns of a husband and wife and their company.
- The IRS subpoenaed the document and he gave some but not others.
- The Court held a dual-purpose document for use in preparing tax returns *and* for use in litigation is not privileged.

Hypothetical - The Terminators



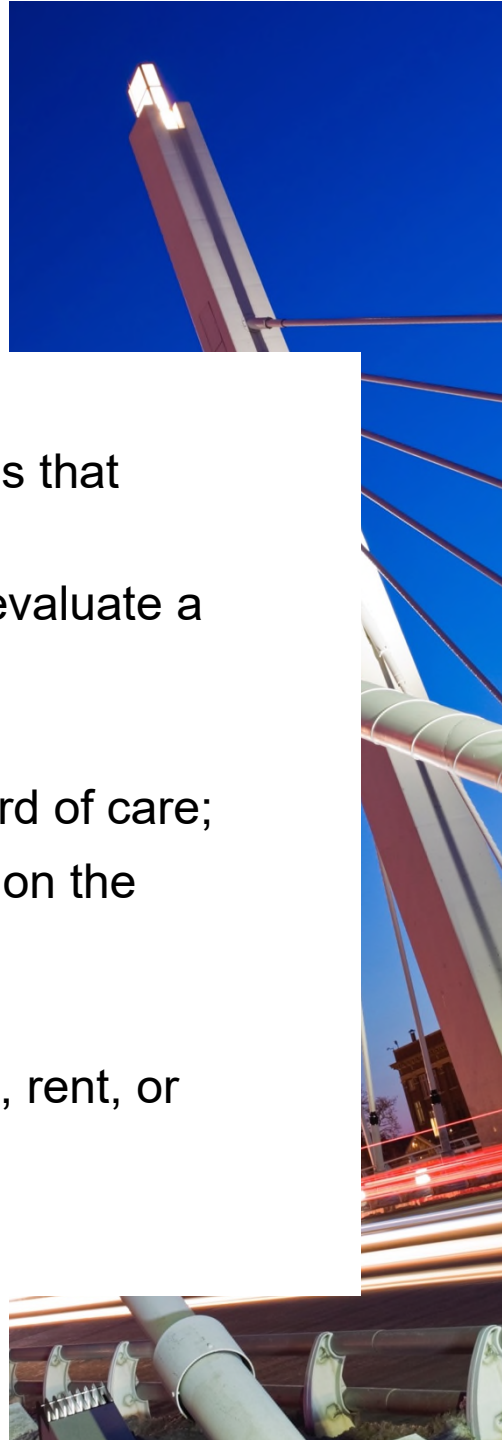
- In order to improve the quality of employment termination decisions and to reduce the risk of liability that could result from making a bad decision, the Company designated an in-house team that makes personnel decisions, including decisions to hire or fire employees or institute layoffs.
- Included on the team is Gina, the General Counsel and Executive VP of Administration as well as the corporate HR Director and one person designated from line management.
- The team uses a designated chat. Gina receives these chats and is also copied on all others exchanged between specific members of the group.
- The team recently decided to terminate an employee, and he is now suing the company. The former employee has moved to compel the Company to produce all of the team's communications.

Some Practical Guidance



- Enforcement agencies and the Courts seem to be increasingly focused on making sure business doesn't hide behind the legal department to shroud what may otherwise be discoverable information, especially in the context of investigations.
- Labels on emails and memos are frequently misused and overused; this will work against you if you have a legitimate privilege claim on particular documents.
- Train your management on what is A/C Privileged and Work Product so they know.
- When present in meetings, define your role at the outset and make that role clear to all who attend.
- Pay attention to what the Supreme Court does.

Use of Non Lawyer Experts



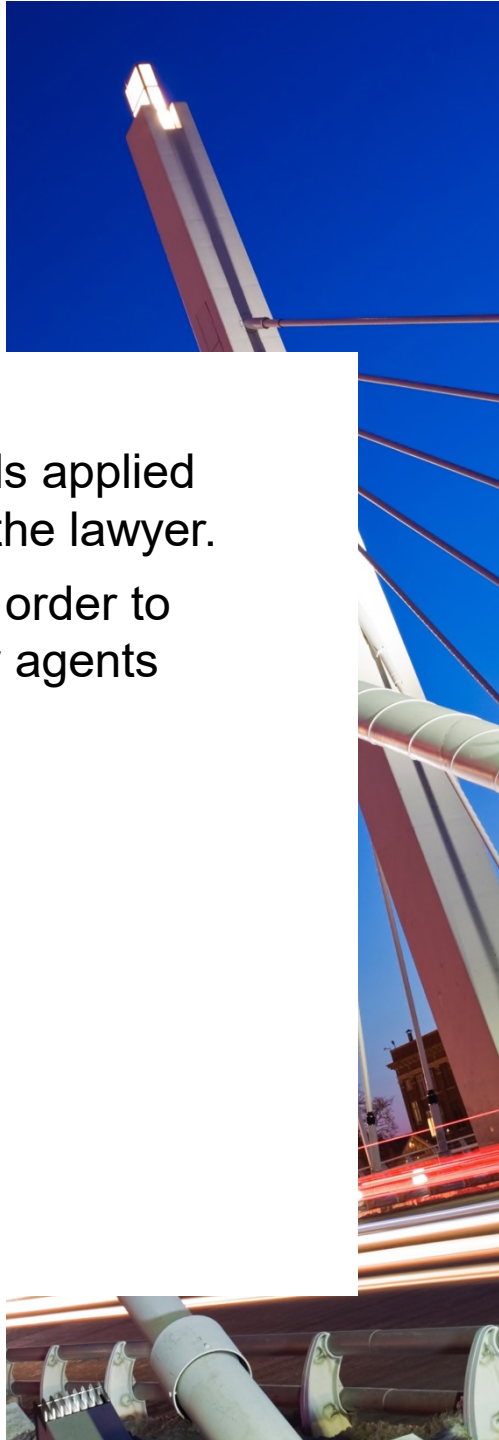
- Increasingly, businesses of all types are regularly faced with complex investigatory needs that exceed their internal capabilities.
- This may be due to the recognition that independent, outside reviewers are required to evaluate a sensitive issue.
- statisticians;
- clinical experts (physicians, nurses, pharmacists, etc.) to advise on the quality or standard of care;
- accountants and other financial experts to review complex financial records, and advise on the meaning of various ledgers, balance sheets, and other economic data;
- structural engineers commenting on facility building or fire safety code compliance;
- valuators or appraisers to help assess the “fair market value” of a payment arrangement, rent, or purchase price;

Use of Non Lawyer Experts

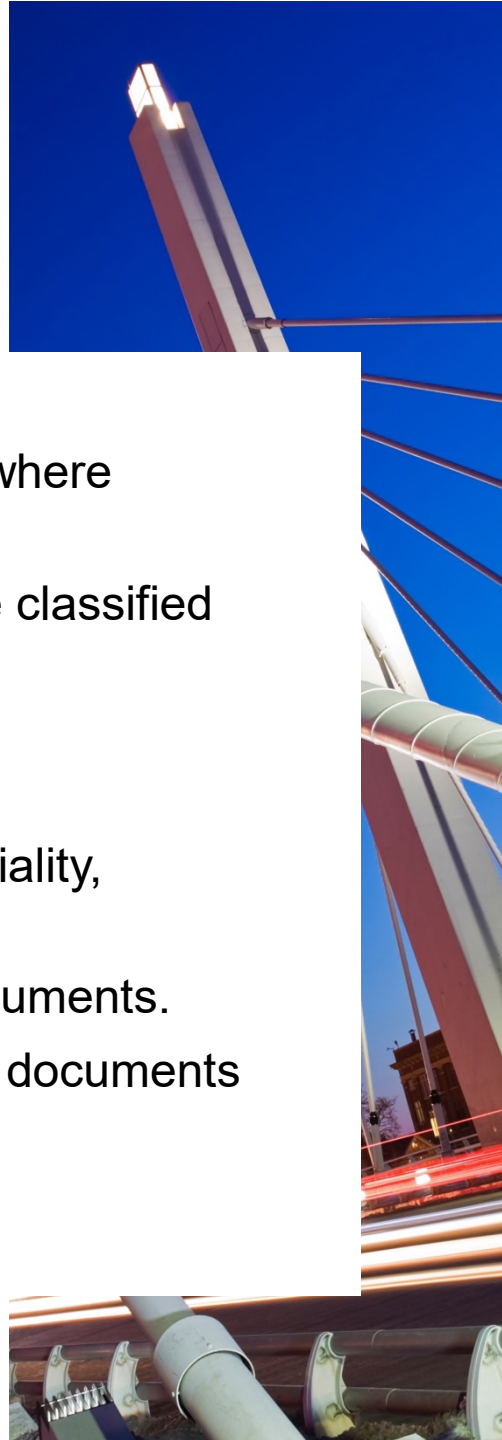
- Translators to help interpret documents or testimony in various languages;
- Computer forensic experts who can review code, data, and technology essential to unearth evidence or preserve it from spoliation; or
- Additional investigators to interview witnesses, review documents, search public records or help manage significant volumes of electronic data.
- The consultant is oftentimes exposed to highly confidential and sensitive material that clients do not wish to disclose to the public or regulators.

But They Are Not Lawyers

- In U.S. v. Kovel, 269 F.2d 918 (2d Cir. 1961) in which the Second Circuit Court of Appeals applied the attorney-client privilege between a lawyer, a client, and an accountant employed by the lawyer.
- The court reasoned that attorneys frequently must seek help from other professionals in order to properly advise clients. The court further concluded that communications with third-party agents should be protected when they are necessary to accomplish the attorney's work.



Carefully Structure Any Such Consulting/ Expert Relationships



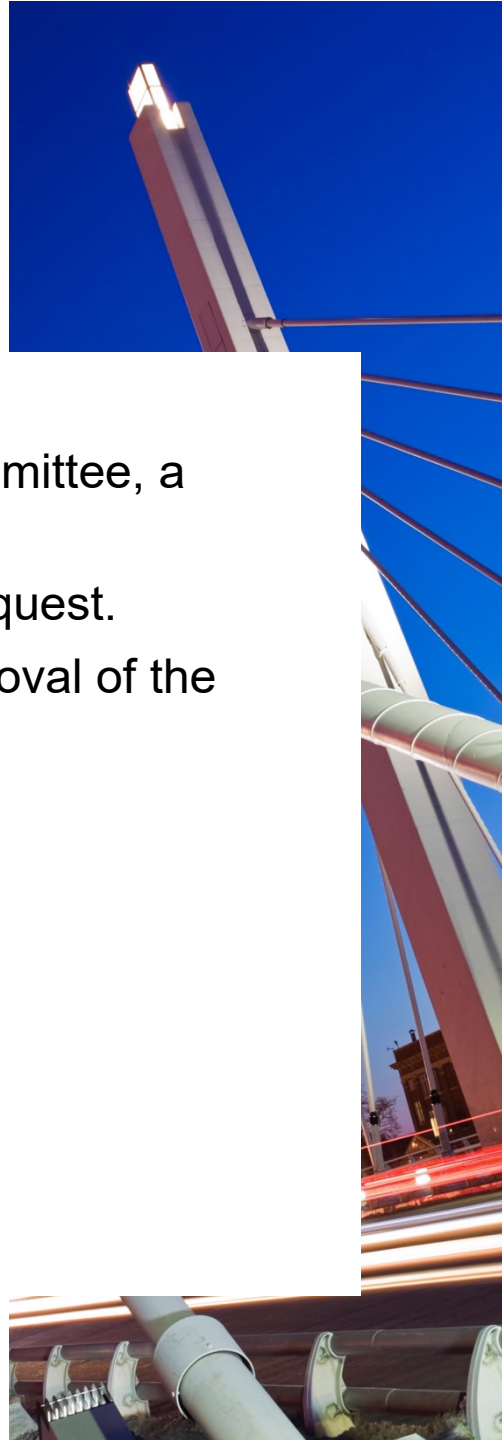
- Know the law in the applicable jurisdiction. It's not always Delaware and it's not always where headquarters is.
- Identify quality consultants, as individuals with questionable credentials, will likely not be classified as a "professional" within the meaning of the exception.
- Get it in writing…. "A Kovel Agreement"
  - The agreement should detail the scope of work, how the third-party consultant will be compensated, and explain that the third-party consultant is to maintain strict confidentiality, consistent with the attorney-client privilege and attorney work product doctrine.
  - The agreement should also specify how the consultant should manage and retain documents.
  - All lines of communications should run through the attorney including management of documents and communications from the consultant.

Inadvertent Disclosure in the Modern World

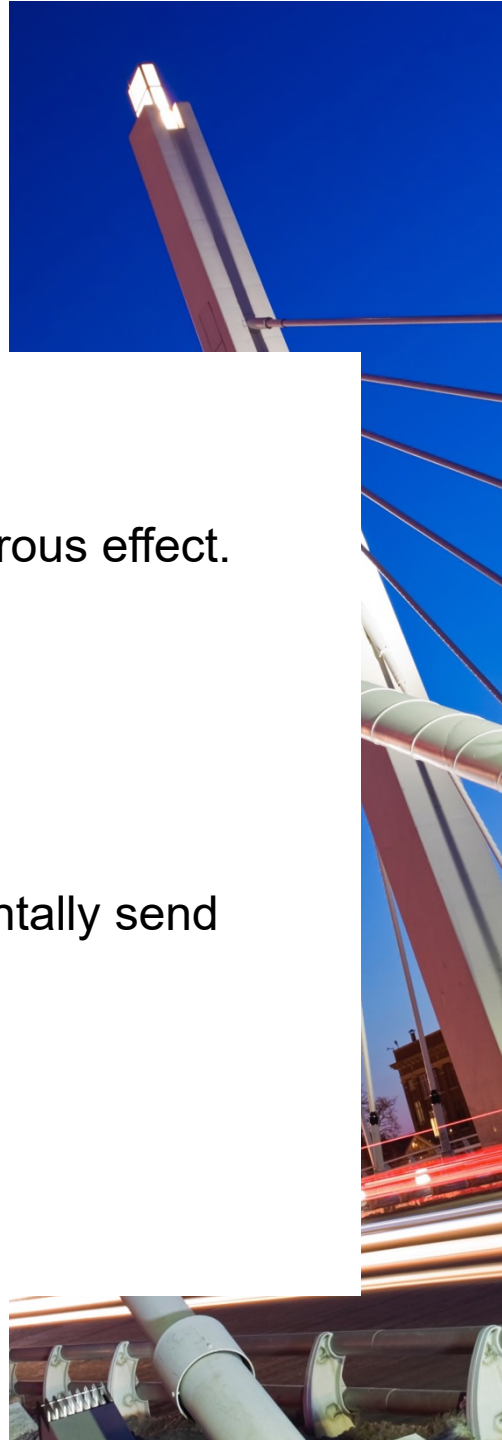
Whoops! I Can’t Believe I Hit Send!

Accident

- When asked if members of the local PTA could participate in a school's educational committee, a Miami public school principal responded, "Advise her to eat #*@! and die."
- The email was intended for the assistant principal, not the mother who sent the initial request.
- Result: Email winds up on the front page of the Miami Herald; Parents demand the removal of the principal as someone who is unprofessional; school district reassigned principal.



The Issue



- This is an area of concern for all attorneys regardless of their practice area.
- In transaction and regulatory compliance work, inadvertent disclosure can have a disastrous effect.
- Breaching an NDA can result in a lawsuit.
- In litigation, inadvertent disclosure frequently arises during the course of discovery.
- E-discovery means massive quantities of documents and data.
- Potential for disclosure of trial strategy or weaknesses in a case.
- Email, text, chats, and other forms of electronic communication make it easier to accidentally send confidential or privileged information to improper recipients.
- The volume of information we each handle is growing exponentially
- Do the math: 150, 200, or more emails per work day = How many per year?

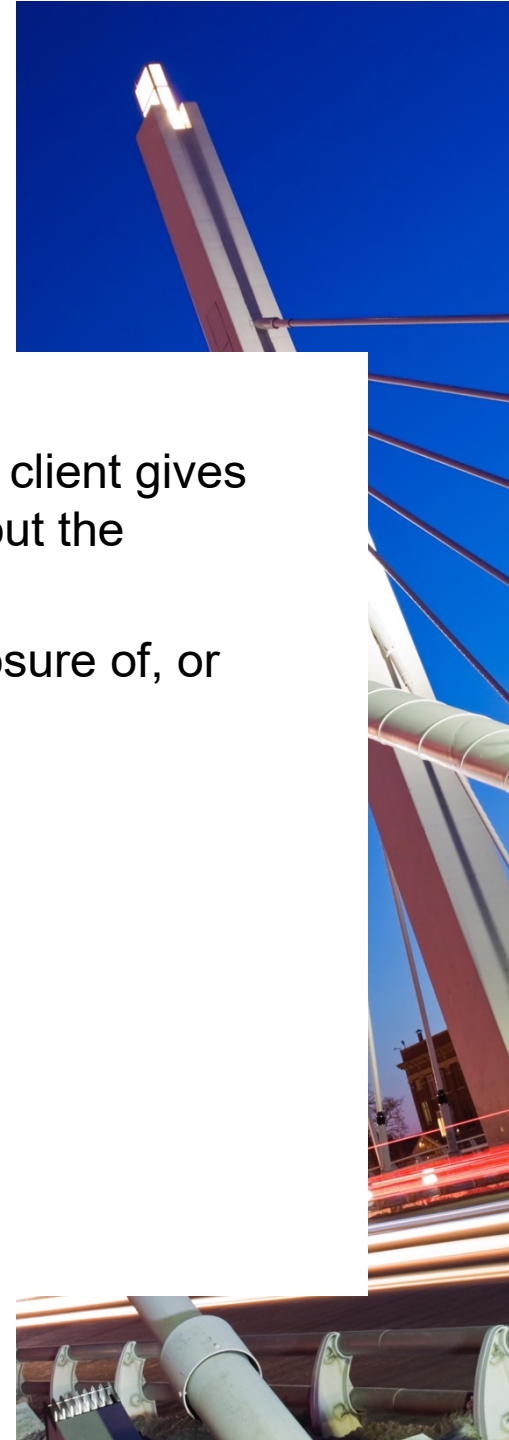
It Can Happen Anywhere?

Who are these two and what are they discussing?

It Can Happen Anywhere?

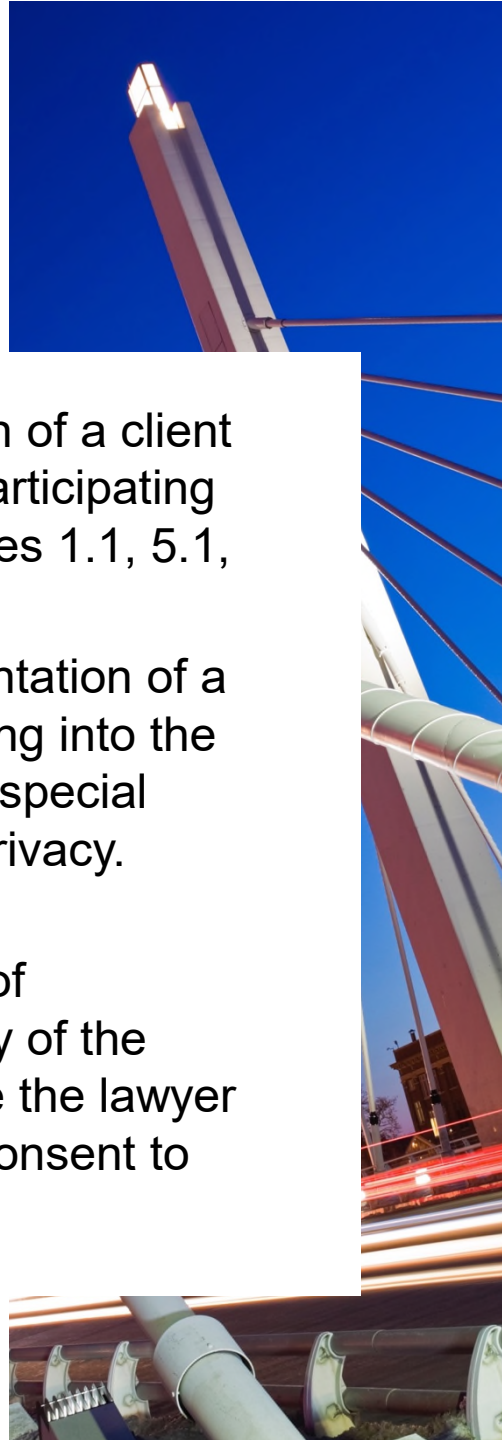
Ty Cobb (right), a member of President Trump's legal team, discussing details of the team's response to the Russia investigations with John M. Dowd, the president's lead outside attorney in the investigations, at BLT Steak in Washington. Credit Kenneth P. Vogel/The New York Times [This occurred on 9/11/18]

ABA Model Rule 1.6- Wisconsin SCR 20:1.6



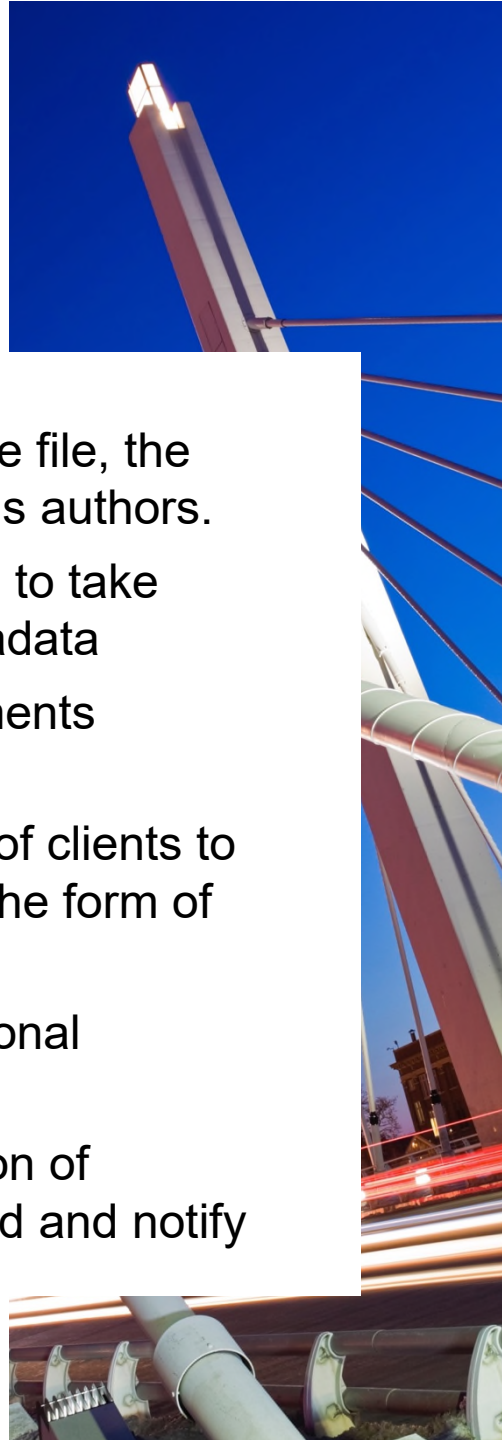
- A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, except for disclosures that are impliedly authorized in order to carry out the representation.
- A lawyer shall make reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client.

Acting Competently to Preserve Confidentiality- Comments to the Rule



- [16] A lawyer must act competently to safeguard information relating to the representation of a client against inadvertent or unauthorized disclosure by the lawyer or other persons who are participating in the representation of the client or who are subject to the lawyer's supervision. See Rules 1.1, 5.1, and 5.3.
- [17] When transmitting a communication that includes information relating to the representation of a client, the lawyer must take reasonable precautions to prevent the information from coming into the hands of unintended recipients. This duty, however, does not require that the lawyer use special security measures if the method of communication affords a reasonable expectation of privacy. Special circumstances, however, may warrant special precautions.
- Factors to be considered in determining the reasonableness of the lawyer's expectation of confidentiality include the sensitivity of the information and the extent to which the privacy of the communication is protected by law or by a confidentiality agreement. A client may require the lawyer to implement special security measures not required by this Rule or may give informed consent to the use of a means of communication that would otherwise be prohibited by this Rule.

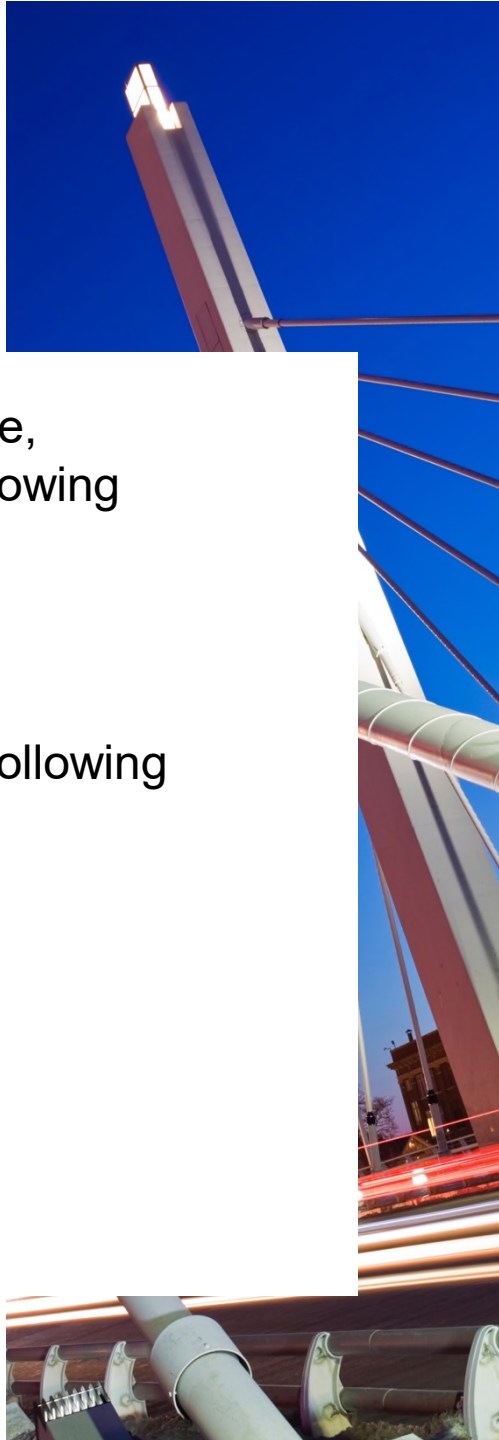
Rub a Dub Dub…You Have to Scrub



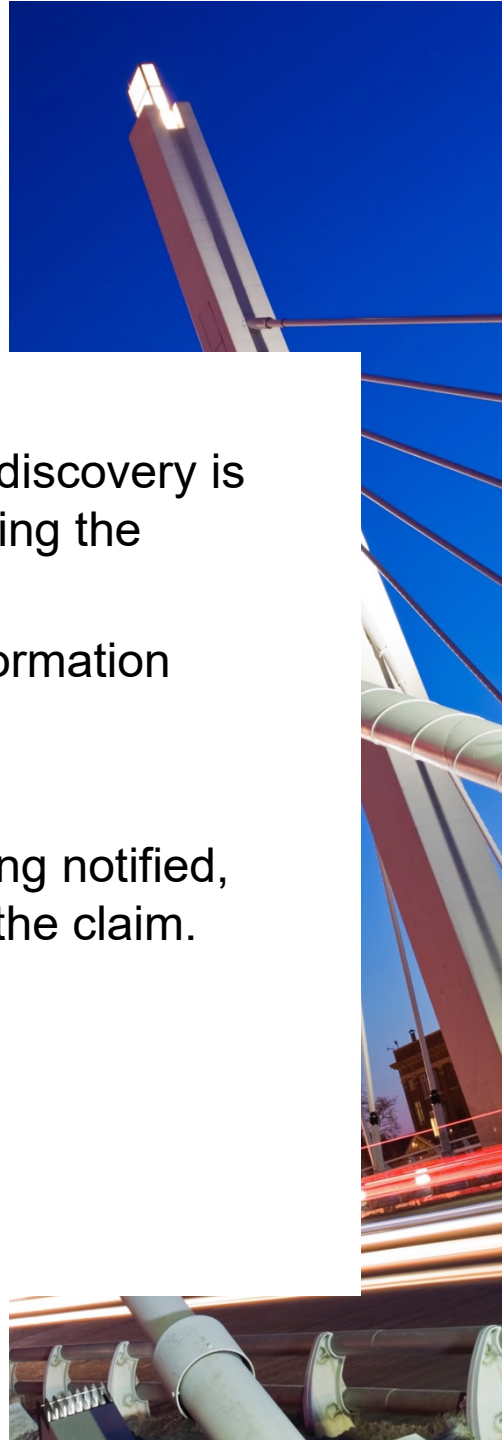
- Metadata is included in all electronic files. It includes information such as the name of the file, the author, the company, total editing time, hidden comments, tracked changes, and previous authors.
- Almost all states hold that lawyers who send electronic documents are ethically required to take reasonable care to avoid the disclosure of confidential information contained within metadata
- Wisconsin Ethics Opinion EF-12-01: The Transmission and Receipt of Electronic Documents Containing Metadata.
- A lawyer who transmits documents containing information relating to the representation of clients to third parties must act competently to prevent the disclosure of significant information in the form of metadata contained in such documents.
- A lawyer who receives an electronic document is not prohibited by the Rules of Professional Responsibility from searching for metadata contained in such a document.
- A lawyer who chooses to review such a document for metadata and discovers information of material significance must normally assume such information was inadvertently disclosed and notify the sender.

Inadvertent Disclosure

- Wis. Stat. § 905.03 (5) FORFEITURE OF PRIVILEGE.
- (a)Effect of inadvertent disclosure. Disclosure of a communication covered by the privilege, regardless of where the disclosure occurs, does not operate as a forfeiture if all of the following apply:
- 1. The disclosure is inadvertent.
- 2. The holder of the privilege or protection took reasonable steps to prevent disclosure.
- 3. The holder promptly took reasonable steps to rectify the error, including, if applicable, following the procedures in s. 804.01(7).

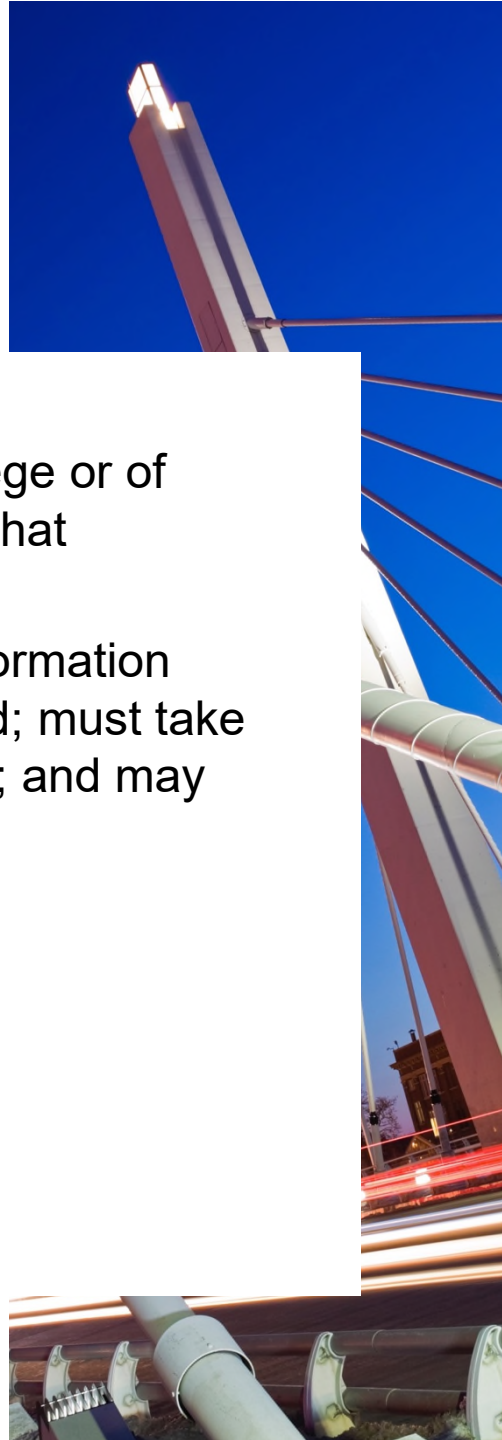


Section 804.01(7) Procedure



- Recovering information inadvertently disclosed. If information inadvertently produced in discovery is subject to a claim of privilege or of protection as trial preparation material, the party making the claim may notify any party that received the information of the claim and the basis for it.
- After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has;
- ***must not use or disclose the information until the claim is resolved***;
- must take reasonable steps to retrieve the information if the party disclosed it before being notified, and may promptly present the information to the court under seal for a determination of the claim. The producing party must preserve the information until the claim is resolved

Federal Rules of Civil Procedure 26 (b)(5)



- Information Produced. If information produced in discovery is subject to a claim of privilege or of protection as trial-preparation material, the party making the claim may notify any party that received the information of the claim and the basis for it.
- After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has; must not use or disclose the information until the claim is resolved; must take reasonable steps to retrieve the information if the party disclosed it before being notified; and may promptly present the information to the court under seal for a determination of the claim.
- The producing party must preserve the information until the claim is resolved.
- Inadvertent disclosure of privileged material does not operate as a waiver so long as
  - (i) the privilege holder took “reasonable steps to prevent disclosure”; and
  - (ii) the privilege holder took “reasonable steps to rectify the error.”

What Should I Do If I Receive An Inadvertent Disclosure?

- Resist temptation

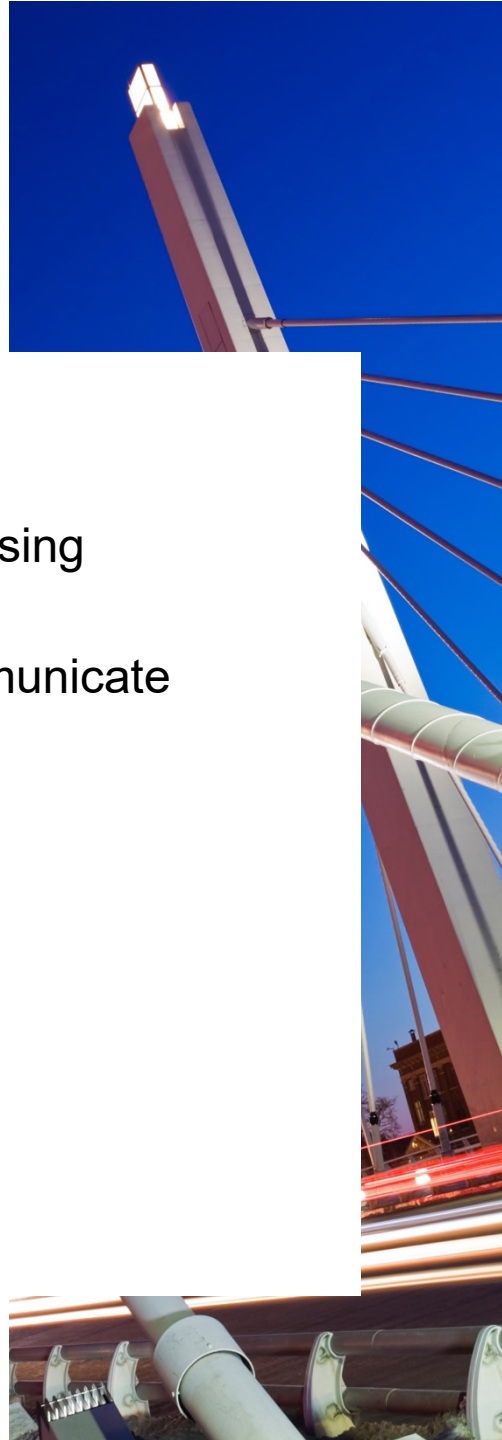
- Read only as much as necessary to determine if the material is confidential
- Immediately segregate/sequester the material from further exposure
- Be prepared to be called a wimp
- Get specific legal guidance for additional advice pursuant to your jurisdiction's rules
- Generally, you are going to have to notify the sender

What Should I Do If I Inadvertently Disclose?

- Immediately contact the unintended recipient and inform him or her that the information was inadvertently disclosed
- Contact your office's professional responsibility partner for additional advice pursuant to the rules of your jurisdiction

Practical Guidance

- Do not “CC” clients on emails to opposing counsel.
- “CCing” a client may create an incentive for the client to communicate directly with opposing counsel.
- If opposing counsel replies to all, he or she may violate an ethical obligation not to communicate with represented parties.
- Enter email address last.
- No Reply All!

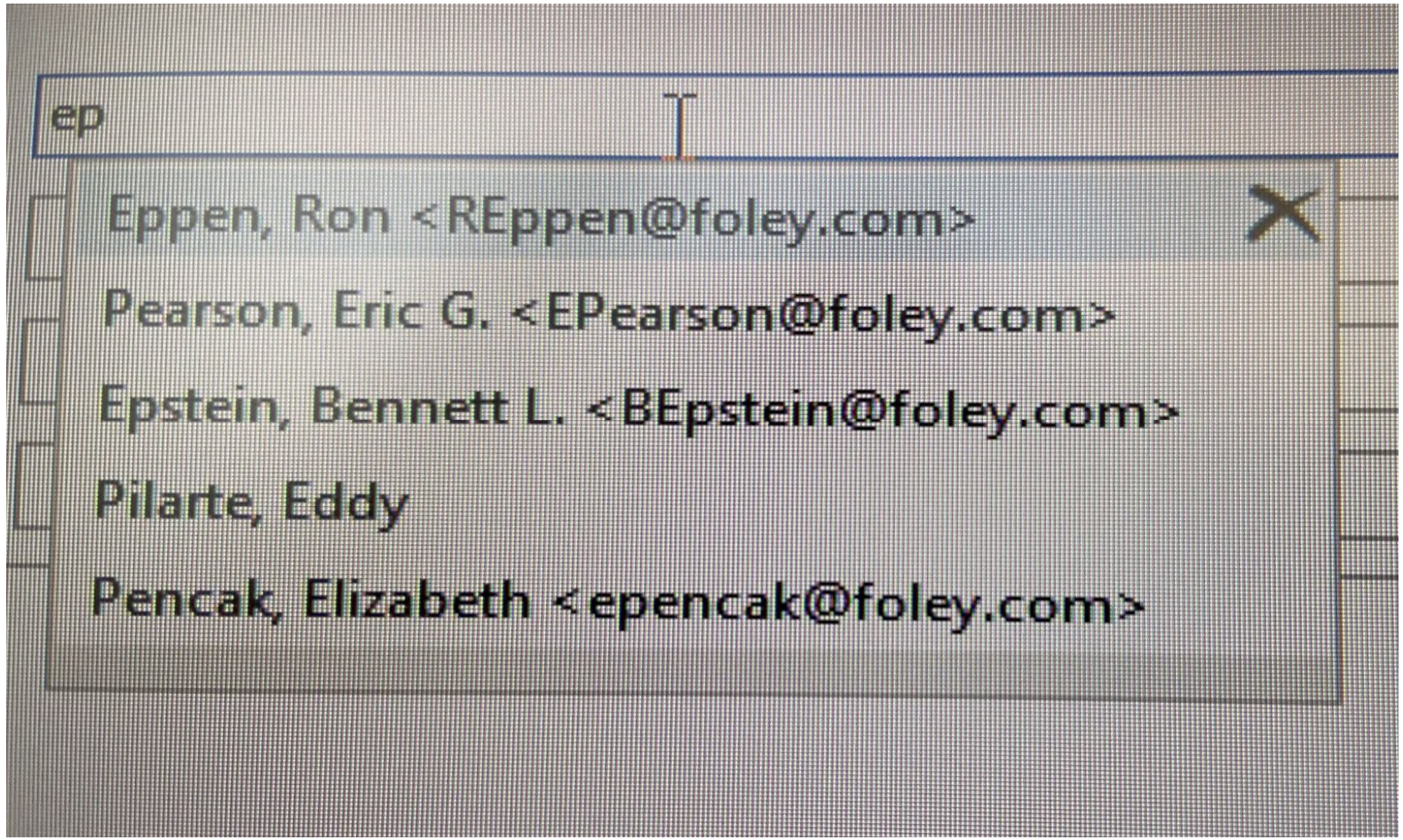


Accident

- Lawyer at a large law firm in NYC representing a major corporation working on billion dollar government settlement with counsel Bradford Berenson at Sidley Austin.
- Allegedly, the attorney sent an email about confidential settlement negotiations to Alex Berenson, who happened to be a reporter at The New York Times.
- Result: the details of the $1 billion settlement between the client and the government were published in The New York Times.

Practical Guidance

- Consider disabling the autocomplete feature in the address bar of Outlook or a least clear out names.

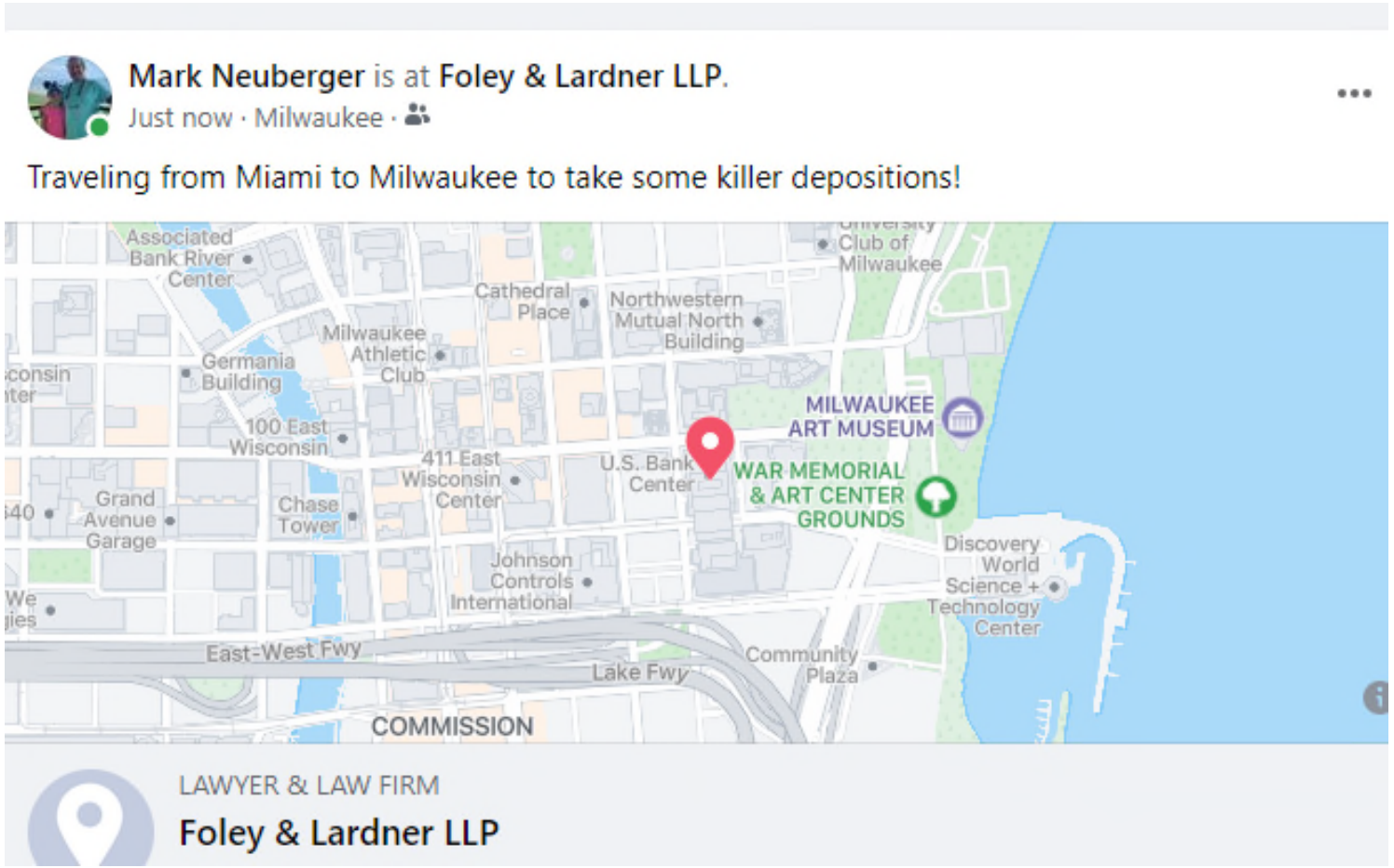


Practical Guidance

- Never send emails when angry. Draft; save; review when calm, then send
- Avoid email wars and email chains, especially in litigation. Among other things, it increases the burden of E-discovery.
- Keep emails to a single topic.
- Engage in proper email etiquette.
- Train, Train, Train! people to clean up their emails and electronic documents.

Practical Guidance

- Don’t discuss what you are doing for work and where you are doing it on social media!



Practical Guidance

- Get up and go talk to the person, *in person.*
- Work to reduce the number, frequency, and irrelevant/inappropriate content of emails and text messages.
  - Saves everyone time
  - Saves server space
  - Avoids unintended consequences

- Train, Train, Train your people to adopt sound email and electronic communications.

About Foley

Foley & Lardner LLP is a preeminent law firm that stands at the nexus of the energy, health care and life sciences, innovative technology, and manufacturing sectors. We look beyond the law to focus on the constantly evolving demands facing our clients and act as trusted business advisors to deliver creative, practical, and effective solutions. Our 1,100 lawyers across 25 offices worldwide partner on the full range of engagements from corporate counsel to IP work and litigation support, providing our clients with a one-team solution to all their needs. For nearly two centuries, Foley has maintained its commitment to the highest level of innovative legal services and to the stewardship of our people, firm, clients, and the communities we serve.

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