Attorney-Client Privilege for In-House Counsel

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The doctrine of attorney-client privilege is one of the more complicated and nuanced areas of an attorney’s practice. As in-house counsel, privilege is even more complicated because the client is not simply a person, but rather a corporate entity with numerous people working to advance the interest of the corporation. Additionally, the dual role of in-house counsel as a trusted legal advisor and a business advisor and the various different scenarios in which privilege can arise further complicate the issue of attorney-client privilege for in-house counsel. Because determining whether attorney-client privilege applies is inherently a fact-sensitive analysis, this article aims to provide an overview of the attorney-client privilege in general, specific issues facing in-house counsel, and finally, some practical guidance on how to address privilege issues in the corporate setting.

What Is the Attorney-Client Privilege?
The basis for the attorney-client privilege is the principle that clients and attorneys should be able to communicate in a free and frank manner. The privilege belongs to the client and is a protection provided by various statutes and common law for certain communications between the client and the client’s attorney to encourage full disclosure of information between the client and the attorney. It is important to note that in-house counsel for large, multistate, and multinational corporations should be careful when analyzing issues of attorney-client privilege because the federal courts, each state, and each county have different rules.

Nevertheless, there are some rules that generally apply to most, if not all, jurisdictions. For attorney-client privilege to apply to a communication, the general rules require that: (1) the communication be between a client and an attorney (i.e., an individual having a law degree and bar membership, and acting as an attorney for the client) or an agent of an attorney (e.g., a tax accountant, a patent agent, a forensic investigator, a technical analyst, or an expert); (2) the communication be made by the client and contain confidential information; (3) the communication be made outside the presence of a non-privileged third party; (4) the communication be made for the purpose of securing legal advice; and (5) the privilege has not otherwise been waived. Privileged communications can be written or oral, but only communications between or among “privileged” persons are protected.
It should be noted that the attorney-client privilege and the attorney work product doctrine—its close relative—can work together to keep certain communications out of the reach of opposing counsel during litigation. While this article will not delve into the details of attorney work product doctrine, in-house counsel should also consider whether the attorney work product doctrine is appropriate for a particular situation if the in-house counsel desires to keep certain communications confidential.

**What Is Not Protected under Privilege?**
Attorneys and clients would be unwise to consider all communications between the clients and attorneys as receiving the privilege protection.

First, the underlying facts of a matter are always discoverable. Privilege cannot (and should not) be used to protect facts from being discovered. This principle has been routinely upheld by courts to protect against clients and attorneys “privileging” everything in order to obfuscate the truth. So, just because a fact has been told to a lawyer does not give it privilege protection. For example, if a corporation initiates an investigation into when the first public disclosure of an invention occurred, the factual results of the investigation are not privileged, whereas the legal advice by the lawyer on the impact of the investigation and recommended course of action might be privileged.

Second, client communications that do not involve a lawyer (or a nonlawyer acting as an agent for a lawyer) are not privileged, even if the communication originally came from an attorney, is subsequently forwarded to an attorney for advice, or concerns how to handle a legal situation.

Lastly, privilege cannot be used to facilitate or conceal a crime or fraud, such as perjury and witness tampering. The crime-fraud exception is something many clients already know about. In some states, this exception extends to commissions of civil torts as well, such as unlawful evictions or intentional infliction of emotional harm. This exception can be applicable in situations where evidence of crime or fraud is only present for the attorney or is only present for the client (i.e., there is no evidence of improper motive or conduct on behalf of one of the parties). It is also important to note that, even in situations where an ethical client is communicating with an outside counsel or law firm, if the client is using the communication to perpetuate a crime or fraud, those communications will likely be discoverable.

**When Does the Privilege Matter?**
Attorney-client privilege is a pre-hoc protection measure used in order to protect against production of sensitive documents during discovery related to adversarial proceedings. While discovery provisions are applied as broadly and liberally as possible so that parties can unearth information relevant to the subject matter of a dispute, parties can assert privilege to render certain communications undiscoverable. Unprivileged discovery documents can then be used as evidence during depositions and at trial (if admissible) and could later be disclosed publicly, such as to the media, through court files.
In order to assert privilege in response to a discovery request by the opposing party, the client’s attorney will produce a list of documents that they consider protected under privilege, called a “privilege log.” The opposing party can dispute the privilege and demand discovery of those documents. If the court agrees with the opposing party, the judge might conduct an in camera review of the documents and, depending on the situation, allow discovery of those documents.

**In-House Privilege**

In the rest of this article, we address the attorney-client privilege for in-house counsel. Attorneys who work for a corporation play a trusted advisor role in the day-to-day activities of the enterprise in a manner very different from outside counsel. Depending on the size of the corporation, in-house counsel might work with everyone from new hires to sales teams, to personnel performing internal business functions (e.g., human resources or procurement), to the audit committee and the board of directors. In-house counsel are also brought into the thick of sensitive situations at the corporation, such as internal audit investigations, disputes, regulatory matters, and litigation.

There are a few things to be mindful of attorney-client privilege as in-house counsel:

**Attorney-Client Relationship**

The first requirement of attorney-client privilege is the attorney-client relationship. In the in-house counsel context, the “client” is considered to be the legal corporate entity and not the corporation’s individual officers, directors, shareholders, or employees (hereinafter referred to collectively as “employees”). However, the corporation is embodied by the various employees who communicate with counsel, and the corporation can act and communicate with counsel only through these individuals. As such, it can become difficult to determine when privilege applies. Nevertheless, the attorney’s legal advice is for the corporation and with the corporation as a whole in mind.

Courts look at the employee as well as the subject matter of the communication in determining whether the attorney-client relationship exists for the privilege to apply. When the person is an officer of the company (e.g., CEO, COO, or other senior management), it is more likely for privilege to apply than when the person is a lower-level employee, such as an entry-level engineer. Similarly, when the subject matter involves legal issues directly affecting the corporation (e.g., litigation strategy), it is more likely for privilege to apply than when the subject matter involves business issues, such as interpreting terms and clauses of a draft sales contract. As an example, if an in-house counsel is discussing the merits of whether the company’s product infringes a competitor’s patent and various strategies for asserting invalidity of the competitor’s patent with an officer of the corporation, attorney-client privilege will most likely apply. However, if the in-house counsel is the decision maker of whether an employee is terminated for disclosing confidential information, such as by being a head of the department in which the employee works, and is discussing with the employee’s supervisor whether the employee should be terminated, the attorney-client privilege might be less likely to apply.

On a related note, in-house counsel should strive to clarify that they represent the corporation and not any particular individual whenever there is doubt or if the individual begins disclosing what appears to be sensitive information. For example, if an inventor is asked to sign an assignment of rights to the cor-
poration for an invention and the inventor signals her displeasure about signing the document and asks what her rights are by not signing, the in-house counsel should clarify that he represents the corporation and not the inventor and that the inventor should retain independent counsel for legal advice concerning the inventor’s interests. 11

Legal Advice
Not all communications with a corporation’s attorneys are privileged. Merely including an attorney as a recipient on a communication or inviting an attorney to a meeting does not necessarily make that communication privileged. 12 Because of the trusted advisor role, in-house counsel sometimes provide business advice in addition to legal advice. In those situations, only communications related to legal advice will be protected. While legal advice does not have to be the only reason the client is communicating with the attorney or why the attorney is invited to the meeting or included in the e-mail, legal advice must be one of the primary reasons for the communication. 13

International Law
If you work for a multinational corporation or if your company has relationships in other countries, you should be aware that the concept of attorney-client privilege for in-house counsel does not exist or is extremely limited in some countries. Therefore, communications with in-house counsel are not protected in the same way, and outside counsel are required in those jurisdictions to preserve the attorney-client privilege.

Waivers to Privilege
If in-house counsel are not cognizant of when the attorney-client privilege applies and when it does not apply, it can be easy for the attorney-client privilege to be waived. Waivers can occur in three ways: express, inadvertent, and implied.

Express Waiver
Express waiver occurs when the client or the in-house counsel discloses protected information in the privileged communication to a third party. Typically, when a communication is privileged, only the client can waive that privilege. In the context of in-house counsel, the “client” that can affirmatively waive privilege are senior employees of the corporate entity (e.g., CEO, COO, or other senior management).

Inadvertent Waiver
Inadvertent actions by the attorney or the client can result in a waiver. For example, an e-mail communication with privileged information that is inadvertently forwarded to someone without a need to know the information can waive the privilege. While some jurisdictions see the forwarding of a privileged communication to someone outside the need-to-know circle as a waiver irrespective of whether the forwarding was done by an attorney or the client, others lean toward finding that waiver occurs only if it is the client that forwards the e-mail. 14 Inadvertent waiver can occur by any employee, no matter his or her seniority within the corporation.
**Implied Waiver**

An implied waiver of privilege occurs when the party asserting the attorney-client privilege places the protected information at issue, such as in litigation, and the protected information is vital to the opposing party’s case. As an example, it is not uncommon during patent litigation for a patent owner to seek enhanced damages by asserting that a competitor’s alleged infringement of the patent was willful. If the competitor asserts its alleged infringement was not willful because the competitor believed it was not infringing the patent based on a noninfringement opinion from patent counsel, the competitor will generally be required to disclose the noninfringement opinion to the patent owner.

**How to Explain Privilege to Internal Clients**

As can be appreciated from the above discussion, attorney-client privilege for in-house counsel is complex and can be hard to navigate. An important aspect about privilege to keep in mind is that privilege is not absolute. It may be disputed and is not always upheld. So, to be conservative, it is generally preferable to start off assuming that no communication will automatically be protected and behave accordingly. While during adversarial proceedings the attorney will assert privilege and fight zealously for the protection, following certain guidelines can place the client and the attorney on sturdier ground in case privilege is not upheld. So, in concluding this article, we wanted to share some best practices that in-house counsel can use to educate themselves and their internal clients about privilege.

**The Dummy Test**

Good communication practices should be maintained at all times. Such practices include being precise and concise in all correspondence, especially written correspondence (e.g., e-mails, texts, and instant messages), and avoiding making conclusory statements of fact or drawing legal conclusions (e.g., illegal, fault, liable, or negligent), categorical statements, restating and misstating legal advice, or drawing connections or parallels to other matters, which may or may not be related.

**The Careless Test**

Be careful how you mark documents. Avoid overuse of the “privileged” legend, especially in documents that do not contain communications that would be protected by privilege. Such practices will result in diluting the privilege and courts scrutinizing privilege logs to determine the scope and accuracy of the corporation’s assertions of privilege. A marking of “privilege review required” or “attorney work product” might be more appropriate in some situations.

**The Need-to-Know Test**

Avoid circulating privileged communications too broadly. By including parties in the communication who are unnecessary to the conversation, meaning they are not adding facts or the needed information for the provision of legal advice or they do not need to receive the legal advice to take action, you might inadvertently waive privilege. This can be particularly applicable when communicating via e-mail. Limit recipients of communication intended to be privileged to only those with a need to know, even if the recipients are within the corporation. Moreover, each recipient should understand that neither the e-mail nor any of its attachments should be sent (forwarded or otherwise) to anyone outside the need-to-know circle. Consider including phrases in the subject line such as “Do Not Forward” and include
“Privileged Communication/Do Not Forward” in the first line of the e-mail. Also consider using technological methods to prevent the use of “reply all” or forwarding of e-mails containing privileged communications.

The Press Test
Before sending a communication, clients should ask themselves how the communication would be read or interpreted by unintended recipients, such as an opposing party, a court, or the media. Communications that are produced during discovery may be entered into court records, which may be publicly accessible. Additionally, information discovered in one litigation matter may also be used in another matter.

Endnotes

1. The attorney-client privilege aims “to encourage full and frank communication between attorneys and their clients . . . [recognizing] that sound legal advice or advocacy serves public ends and that such advice or advocacy depends upon the lawyer’s being fully informed by the client.” Upjohn Co. v. United States, 449 U.S. 383, 389 (1981).

2. See, e.g., CAL. EVID. CODE §§ 952–955; N.Y. C.P.L.R. § 4503(a)(1); United States v. Int’l Bhd. of Teamsters, Chauffeurs, Warehousemen & Helpers of Am., AFL-CIO, 119 F.3d 210, 214 (2d Cir. 1997); In re Grand Jury Investigation, 974 F.2d 1068, 1071 n.2 (9th Cir. 1992).

3. There are other privileges as well, such as the spousal privilege, clergy’s privilege, and medical privilege. Other people in the “privileged” group might be joint parties to a proceeding, employees of a corporation who have a “need to know” of the communication to take actions, and third parties who might act as agents of the client or the attorney (e.g., tax advisors or patent agents).


7. Id.


10. See Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 609 (8th Cir. 1978) (applying the “subject matter” test, which extends the privilege to any corporate employee so long as the employee is communicating to the attorney at the direction of his or her supervisors and the communication was related to his or her duties). While there used to be two different tests to determine whether communication by a
corporation's employees warranted the privilege: the control-group test and the subject-matter test, in *Upjohn* the U.S. Supreme Court rejected the control-group test but did not specifically adopt the subject-matter test. The Court asserted that the privilege for corporations should be determined on a case-by-case basis, referring to the general principles of the attorney-client privilege. See *Upjohn Co. v. United States*, 449 U.S. 383, 392–94 (1981). *Upjohn* is not binding on state courts, however, and they use various tests to determine the application of the privilege. This article does not delve into those nuances.


16. See *In re Seagate Tech. LLC*, 497 F.3d 1360 (Fed. Cir. 2007); *In re EchoStar Commc'ns Corp.*, 448 F.3d 1294 (Fed. Cir. 2006).