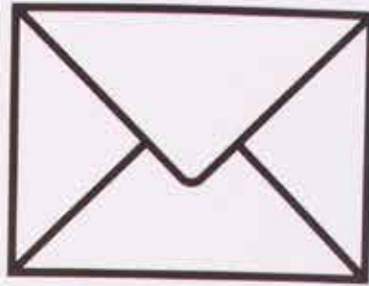


Does Copying an In-House Lawyer on Corporate



Attorneys—and clients—often assume that the inclusion of an attorney as a recipient of a communication—or even just “copying” an in-house counsel on an e-mail’s circulation—automatically shields the document from prying eyes. This assumption is not only inaccurate, but the issue has become more pronounced in the past two decades.

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Correspondence Render It Privileged?

You are in-house counsel, and management informs you that it intends to discuss the financial impact of a change to company procedures and would rather that the public not learn about the content of those discussions. You advise them to add you as an addressee to any e-mails or memoranda. Does this shield those discussions from future disclosure?

In response to a Request for Production, you receive a privilege log that includes e-mail strings sent to in-house counsel. Should you assume that the designation of the documents as privileged must be accurate? The answer to both those questions is “maybe not.”

Attorneys—and clients—often assume that the inclusion of an attorney as a recipient of a communication—or even just “copying” an in-house counsel on an e-mail’s circulation—automatically shields the document from prying eyes. This assumption is not only inaccurate, but the issue has become more pronounced in the past two decades. As explained by one court,¹

This problem of determining the type of services being rendered by in-house counsel has been exacerbated by the advent of e-mail that has made it so convenient to copy legal counsel on every communication that might be seen as having some legal significance at some time, regardless of whether it is ripe for legal analysis.

As a consequence, counsel is brought into business communications at a much earlier stage than she was in the past when communications were through hard-copy memoranda. This, of course, has been beneficial for corporations because the lawyers are some of the most intelligent and informed people within corporations. Lawyers not only help corporate clients avoid legal problems before they arise, their business, technical, scientific, promotional, and public relations judgment has frequently proven invaluable. In addition,

because they are part of a word crafting profession, more often than not, they are excellent writers and editors. The benefit from this expanded use of lawyers, however, comes at a cost. This cost is in the form of differentiating between the lawyers’ legal and business work when the attorney-client privilege is asserted for their communications within the corporate structure. The privilege is only designed to protect communications seeking and rendering legal services.

As a result of this proliferation of written communications, and the increasing tendency of businesses to include in-house counsel on the circulation list of early discussions of business issues, courts are grappling increasingly with the question of when a document received—or even written—by an in-house attorney is protected by the attorney-client privilege.² While the purpose of the attorney-client privilege is to encourage full and frank communication, it is well-established that:

[s]ince the privilege has the effect of withholding relevant information from the factfinder, it applies only where necessary to achieve its purpose. Accordingly it protects only those disclosures—necessary to obtain informed legal advice—which might not have been made absent the privilege.³

As a result, courts construe the privilege narrowly.⁴ The party invoking the privilege bears the burden of establishing its applicability to each and every document for which it is asserted.⁵ It cannot rely on “[a] general allegation or blanket assertion that the privilege should apply” because this “is insufficient to warrant protection.”⁶

Accordingly, the argument that all documents provided to, or received from, in-house counsel are automatically immune from production based on the attorney-client privilege is incorrect. Nevertheless, some businesses still “try to ‘immunize internal [business] communications from discovery by placing legal counsel in strategic corporate positions and funneling documents through counsel.’”⁷ Both state and federal courts have rejected such efforts to create cones of silence.

To the contrary, federal courts caution that “[a] corporation cannot be permitted to insulate its files from discovery simply by sending a ‘cc’ to in-house counsel.”⁸ Specifically, “[t]he fact that a

Doe Corp. attorney is copied on the document (as well as other Doe Corp. employees) does not transform the document into a confidential communication between an attorney and client.”⁹

As one court noted, “[t]he structure of certain business enterprises, when their legal departments have broad powers, and the manner in which they circulate documents is broad, has consequences that those companies must live with relative to their burden of persuasion when privilege is asserted.”¹⁰ “Where the communication is with in-house counsel for a corporation, particularly where that counsel also serves a business function, the corporation must clearly demonstrate that the advice to be protected was given ‘in a professional legal capacity.’ (Citation omitted.) *This limitation is necessary to prevent corporations from shielding their business transactions from discovery simply by funneling their communications*

at counsel’s request to assist with the preparation of legal advice. However, this information also is not protected from disclosure; to the contrary, ‘factual information and computations ... cannot be protected simply because they were conveyed to counsel.’”²⁰

For example, in *De Espana v. Am. Bureau of Shipping*,²¹ company executives exchanged a series of e-mails about whether or not they should adopt certain safety features.²² The company attempted to block production of these e-mails on the grounds that they contained requests for, and receipt of, legal advice. After reviewing the documents *in camera*, the court observed that “[t]he discussion focuses primarily on ABS’s relative advantage or disadvantage vis-a-vis its competitors if it adopts different bulker safety standards.”²³ After noting that the recipients of the e-mail included several executives and the general counsel, the court concluded that “[t]he inclusion of ABS

Attorneys litigating against companies should pay close attention to privilege logs and redacted documents. They should not assume that a document is privileged simply because an in-house lawyer appears as one of the recipients, or even as the author. Determining whether or not the privilege has been asserted properly may require more detailed information.

through a licensed attorney.”¹¹ Put simply, the attorney–client privilege does not cloak communications regarding business decisions from disclosure simply because counsel received them.¹²

In that same vein, merely “labeling a document ‘Confidential—Attorney–Client Privilege’ is not ‘a sufficient basis for legally presuming or even logically assuming a primary legal purpose.’”¹³ Instead, courts will consider whether the document would have even been prepared had it not been provided to counsel; if so, it is not privileged.¹⁴ As one court described the analysis, “[t]he party invoking attorney–client privilege ‘must demonstrate that the information at issue was a communication between client and counsel or his employee, that it was intended to be and was in fact kept confidential, and that it was made in order to assist in obtaining or providing legal advice or services to the client.’”¹⁵

Stated another way, “the protection of the privilege applies *only if the primary or predominant* purpose of the attorney–client consultations is to seek legal advice or assistance.”¹⁶ Accordingly, “[w]hen the business ‘simultaneously sends communications to both lawyers and non-lawyers, it usually cannot claim that the primary purpose of the communication was for legal advice or assistance because the communication served both business and legal purposes.’”¹⁷

Although there is no definitive standard for determining whether the primary purpose of a communication is to provide legal advice, the courts have offered guidance. For example, “[w]here non-legal personnel are asked to provide a response to a matter raised in a document, it cannot be said that the ‘primary’ purpose of the document is to seek legal advice. This is because the response by non-legal personnel by definition cannot be ‘legal’ and thus the purpose of the request cannot be primarily legal in nature.”¹⁸ As a result, discussions among management about which business solution to implement and the potential impact of their decision are not immune from production simply because they copied in-house counsel on these communications.¹⁹

Similarly, parties sometimes attempt to shield the production of underlying data by asserting that they gathered the information

employees outside the legal department as recipients further support the conclusion that the e-mails contain business advice.”²⁴

Attorneys who represent companies should, therefore, counsel clients that the mere inclusion of in-house counsel on a circulation list does not assure that a court will consider a document privileged. They should advise, specifically, that this uncertainty applies particularly to communications containing mixed business and legal advice. Even assuming, for example, that e-mail threads among legal and non-legal personnel that include some legal discussion, “[w]hen the ultimate corporate decision is based on both a business policy and a legal evaluation, the business aspects of the decision are not protected simply because legal considerations are also involved.”²⁵ So, “if a business decision can be viewed as both business and legal evaluations, ‘the business aspects of the decision are not protected simply because legal considerations are also involved.’”²⁶ When seeking to avoid production in these circumstances, the burden is on the company to “‘clearly show[]’ that the in-house attorney gave advice in her legal capacity, not in her capacity as a business advisor.”²⁷

Indeed, even when a communication contains both legal and business advice, the communication is not necessarily shielded from production. For example, in a decision from the Middle District of Florida, the court was less than moved by the argument that a corporation’s communications may have included both legal advice and business discussions: “The Court recognizes that [the ordered] production might effectively reveal the advice by comparing different drafts. To the extent this may occur, it is the result of how [the company] chose to mix its legal consultations with regular business operations.”²⁸

On the flip side, attorneys litigating against companies should pay close attention to privilege logs and redacted documents. They should not assume that a document is privileged simply because an in-house lawyer appears as one of the recipients, or even as the author. Determining whether or not the privilege has been asserted properly may require more detailed information from the objecting party and careful scrutiny of the sequence of communications—and the attor-

ney's active participation or nonparticipation—in the exchanges.

Ultimately, a dispute as to whether or not particular documents are protected by the attorney–client privilege may have to be resolved following an *in camera* review by the court of the questioned documents.²⁹ If this occurs, both sides should be aware that courts may order the production of documents that clients might have thought were protected or may order that the privileged legal advice be redacted while the nonprivileged business discussions must be produced.³⁰

The lesson to be learned from these cases is that counsel for both sides of a dispute should not be quick to assume that e-mails and other communications involving lawyers and, particularly, those that include in-house counsel, are sacrosanct and shielded from discovery. Attorneys who designate such documents on privilege logs should be prepared to address challenges to the designations. Conversely, recipients of privilege logs should parse them closely to determine whether or not the documents are entitled to protection. ☉

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Endnotes

¹*In re Vioxx Prods. Liab. Litig.*, 501 F. Supp. 2d 789, 798 (E.D. La. 2007) (emphasis added); accord *Affordable Bio Feedstock, Inc. v. Darling International Inc.*, No. 6:11-cv-1301-Orl-28TBS, 2012 U.S. Dist. LEXIS 164949, at *7-8 (M.D. Fla. Nov. 19, 2012) (applying Florida law with regard to attorney–client privilege).

²Which law applies to questions of attorney–client privilege depends on the nature of the underlying claim. If the claims arise under federal law, the federal common law with regard to the privilege applies. *Hancock v. Hobbs*, 967 F.2d 462, 466 (11th Cir. 1992) (citing Fed. R. Civ. Proc. 501). State law applies if “the action is a civil proceeding and the privilege is invoked ‘with respect to an element of a claim or defense as to which State law supplies the rule of decision.’” *Id.* However, Florida and federal law are similar for the purposes of the issues discussed in this article. See, e.g., *Andiamo Team, Inc. v. Andiamo Team, Inc.*, No. 07-61839-CIV, 2008 U.S. Dist. LEXIS 114388, at *6 & *7 (S.D. Fla. Sept. 18, 2008); see also *Affordable Bio Feedstock*, 2012 U.S. Dist. LEXIS 164949, at *7-8 (discussing issues of in-house privilege while applying Florida law).

³*Fisher v. United States*, 425 U.S. 391, 403 (1976).

⁴*United States ex rel. Baklid-Kunz v. Halifax Hospital Med. Ctr.*, No. 6:09-cv-1002-Orl-31TBS, 2012 U.S. Dist. LEXIS 158944, at *6 (M.D. Fla. Nov. 6, 2012) (citations omitted) (“*Baklid-Kunz*”); see also *Pritchard v. County of Erie (In re County of Erie)*, 473 F.3d 413, 418 (2d Cir. 2006) (quoting *Fisher*).

⁵*Bogle v. McClure*, 332 F.3d 1347, 1358 (11th Cir. 2003) (quoting *United States v. Schaltenbrand*, 930 F.2d 1554, 1562 (11th Cir. 1991)); see *Pritchard*, 473 F.3d at 418 (citations omitted); see also *Southern Bell Tel. & Tel. Co. v. Deason*, 632 So. 2d 1377 (Fla. 1994) (party asserting the attorney–client privilege bears the

burden to establish its applicability).

⁶*P. & B. Marina, Ltd. Partnership v. Logrande*, 136 F.R.D. 50, 54 (E.D.N.Y. 1991).

⁷*In re Seroquel Products Liab. Litig.*, No. 6:06-md-1769-Orl-22DAB, 2008 U.S. Dist. LEXIS 39467, at *95 (M.D. Fla. May 7, 2008) (citing I Paul R. Rice, *Attorney–Client Privilege in the United States* § 7:2).

⁸*Baklid-Kunz*, 2012 U.S. Dist. LEXIS 158944, at *8 (“Communications between corporate client and corporate counsel ... involve a much different dynamic and require the proponent to satisfy a ‘purpose and intent’ threshold test”); see also *Southern Bell*, 632 So. 2d at 1353 (claims of privilege by corporations are subject to a “heightened level of scrutiny”).

⁹*In re Grand Jury Proceedings*, No. M-11-189, 2001 U.S. Dist. LEXIS 15646, at *84 n.41 (S.D.N.Y. Oct. 3, 2001); see also *Freeport-McMoran Sulphur, LLC v. Mike Mullen Energy Equipment Resource, Inc.*, No. 03-1496 c/w 03-1664, 2004 U.S. Dist. LEXIS 10197, at *23-24 (E.D. La. June 4, 2004) (“A document sent from one corporate officer to another is not privileged simply because a copy is sent to counsel.”) (emphasis added).

¹⁰*In re Seroquel*, 2008 U.S. Dist. LEXIS 39467, at *96.

¹¹*Avianca, Inc. v. Corriea*, 705 F. Supp. 666, 676 (D.D.C. 1989) (citation omitted); accord *Baklid-Kunz*, 2012 U.S. Dist. LEXIS 158944, at *9 (citation omitted).

¹²*Simon v. G.D. Searle & Co.*, 816 F.2d 397, 403 (8th Cir. 1987), cert. denied, 484 U.S. 917 (1987) (“[a] business document is not made privileged by providing a copy to counsel[,] * * * ... those documents from one corporate officer to another with a copy sent to an attorney do not qualify as attorney client communications.”) (stars in original; emphasis added); see also *LNC Investments, Inc. v. First Fidelity Bank*, No. 92 Civ. 7584 (CSH), 2000 U.S. Dist. LEXIS 11926, at *8 (S.D.N.Y. Aug. 21, 2000) (party asserting privilege “reveals the common misapprehension that any communication passing between a client and his attorney, in either direction, is covered by the privilege”).

¹³*Baklid-Kunz*, 2012 U.S. Dist. LEXIS 158944, at *9 (citing Rice, *Electronic Evidence* 260).

¹⁴See, e.g., *Everbank v. Fifth Third Bank*, No. 3:10-cv-1175-J-12TEM, 2012 U.S. Dist. LEXIS 63212, at *6 (M.D. Fla. May 4, 2012) (citation omitted).

¹⁵*Aiessa v. Bank of America, N.A.*, No. CV 10-01275, 2011 U.S. Dist. LEXIS 102207, at *9 (E.D.N.Y. Sept. 12, 2011) (citations omitted; emphasis added), aff'd 2012 U.S. Dist. LEXIS 105974 (E.D.N.Y. July 30, 2012); see *Baklid-Kunz*, 2012 U.S. Dist. LEXIS 158944, at *9-10.

¹⁶*In re Denture Cream Products Liab. Litig.*, No. 09-2051-MD, 2012 U.S. Dist. LEXIS 151014, at *39 (S.D. Fla. Oct. 18, 2012) (citing *In re Seroquel*, 2008 U.S. Dist. LEXIS 39467); see also *In re Omnicom Group Inc., Sec. Litig.*, 233 F.R.D. 400, 415 (S.D.N.Y. 2006) (“a document created for business purposes does not acquire protected status merely because a copy of it is sent to an attorney, even if the attorney may ultimately render legal advice based on it”) (emphasis added); accord *Spread Enters. v. First Data Merch. Servs. Corp.*, No. CV 11-4743, 2013 U.S. Dist. LEXIS 22307, at *6 (E.D.N.Y. Feb. 19, 2013) (although in-house counsel was an intended recipient, “the mere fact that a communication is made directly to an attorney, or an attorney is copied on a memorandum, does not mean that the communication is necessarily privileged.”) (citations omitted).

lant should present arguments as to how this different evidence would have influenced the deciding official on the merits.

⁴⁶The appellant would be well advised to offer evidence as to how she would cross examine such testimony in attempting to prove prejudice. See *Drumheller v. Dept. of the Army*, 49 F.3d 1566, 1569 (Fed. Cir. 1995) (upholding finding of no denial of due process and no harmful error when appellant was not confronted with all of the evidence in a security clearance revocation appeal. Further, no evidence was offered of an intended cross examination of the additional witness or other harm).

⁴⁷*Schapansky v. Department of Transp.*, 735 F.2d 477, 486 (Fed. Cir. 1984) (*en banc*) (nothing in the record indicates an impairment of rights); *In re Watts*, 354 F.3d 1362, 1370 (Fed. Cir. 2004) (Patent Act appeal from USPTO ruling expressed “The question now is whether under these circumstances a remand to the Board is required. In appeals from the Board, as in all other appeals, we must consider whether an error by the Board was harmful error. Section 2111 of the Judicial Code directs us to disregard “errors or defects [in the decision on appeal] which do not affect the substantial rights of the parties.” 28 U.S.C. § 2111 (2000). The purpose of this rule is to avoid wasteful proceedings on remand where there is no reason to believe a different result would have been obtained had the error not occurred.

.... Thus, to prevail the appellant must not only show the existence of error, but also show that the error was in fact harmful because it affected the decision below.”) (citations omitted); *Munoz v. Strahm Farms, Inc.*, 69 F.3d 501, 504 (Fed. Cir. 1995) (“The correction of an error must yield a different result in order for that error to have been harmful and thus prejudice a substantial right of a party).

⁴⁸5 U.S.C. § 7703(d) spells out the authority of the OPM to represent the government’s interest in MSPB proceedings.

⁴⁹28 U.S.C. § 518; see www.justice.gov/osg/about-osg.html (describing the role of the solicitor general).

⁵⁰Only the Federal Circuit hears appeals from the MSPB, except in cases of alleged discrimination and a narrow class of other statutes. 5 U.S.C. Section 7703(b).

⁵¹The new statute would provide: “...the agency’s decision may not be sustained ... if the employee ... (A) shows harmful error in the application of any of the agency’s procedures in arriving at such a decision...”

⁵²A 2012 OPM survey found that only 42 percent of government supervisors felt that poor performance was appropriately being addressed within their agency. www.fedview.opm.gov/2010/Reports/SupvCompPCT.asp?AGY=ALL&SECT=2 (question 23).

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¹⁷*Preferred Care Partners Holding Corp. v. Humana, Inc.*, 258 F.R.D. 684, 689-690 (S.D. Fla. 2009) (citations omitted); see also *In re Buspirone Antitrust Litig.*, 211 F.R.D. 249, 253 (S.D.N.Y. 2002); *United States v. International Business Machines Corp.*, 66 F.R.D. 206, 210 (S.D.N.Y. 1974) (“even legal advice is unprivileged if it is incidental to business advice”).

¹⁸*In re Buspirone Antitrust Litig.*, 211 F.R.D. at 253.

¹⁹See, e.g., *In re Pfizer Inc. Sec. Litig.*, No. 90 Civ. 1260 (SS), 1994 U.S. Dist. LEXIS 7454, at *4-5 (S.D.N.Y. June 6, 1994) (documents which “make broad projections and analyses regarding the extent of [a party’s] financial exposure” are not protected by the attorney-client or attorney work-product privileges despite in-house counsel’s participation); *Spread Enterprises*, 2013 U.S. Dist. LEXIS 22307, at *5-7; see also *Durham Industries v. North River Insurance Co.*, No. 79 Civ. 1705 (RWS), 1980 U.S. Dist. LEXIS 15154, at *8 (S.D.N.Y. Nov. 21 1980) (“even legal advice is unprivileged if it is incidental to business advice”) (citation omitted).

²⁰*GenOn Mid-Atlantic, LLC v. Stone & Webster, Inc.*, No. 11 Civ. 1299 (HB) (FM), 2011 U.S. Dist. LEXIS 133724, at *42 (S.D.N.Y. Nov. 10, 2011); see *Bush Ranch v. E.I. du Pont de Nemours & Co.*, 918 F. Supp. 1524, 1548 (M.D. Ga. 1995) (neither facts nor data gathered in connection with case were privileged where the gatherers’ “function was not merely to put information gained from DuPont into usable form such that the attorney could use the information effectively”).

²¹No. 03 Civ. 3573 (LTS) (RLE), 2005 U.S. Dist. LEXIS 33334, at *5-6 (S.D.N.Y. Dec. 14, 2005).

²²*Id.* at *6.

²³*Id.*

²⁴*Id.* at *6-7 (concluding that, because “legal issues do not predominate in the e-mails ... the communications are not protected by the attorney-client privilege”).

²⁵*Hardy v. New York News, Inc.*, 114 F.R.D. 633, 643-44 (S.D.N.Y. 1987) (citation omitted).

²⁶*NXIVM Corp. v. O’Hara*, 241 F.R.D. 109, 126 (N.D.N.Y. 2007) (citation omitted).

²⁷*Ames v. Black Entertainment TV*, No. 98 Civ. 0226, 1998 U.S. Dist. LEXIS 18053, at *21-22 (S.D.N.Y. Nov. 18, 1998) (citations omitted).

²⁸*In re Seroquel Prods. Liab. Litig.*, 2008 U.S. Dist. LEXIS 39467, at *110 n.7.

²⁹See *Affordable Bio Feedstock*, 2012 U.S. Dist. LEXIS 164949, at *1 & *9-15 (noting court’s decision based on its review of challenged documents *in camera*); *Baklid-Kunz*, 2012 U.S. Dist. LEXIS 158944, *passim* (same); *Bennett v. Berges*, 84 So. 3d 373, 375 (Fla. 4th DCA 2012) (“If a party seeks to compel the disclosure of documents that the opposing party claims are protected by attorney-client privilege, the party claiming the privilege is entitled to an *in camera* review of the documents by the trial court prior to disclosure.”) (citations omitted); see also *United Services Auto. Ass’n v. Crews*, 614 So. 2d 1213, 1214 (Fla. 4th DCA 1993) (opining that the only way to determine which communications with in-house counsel were privileged was to conduct an *in camera* review).

³⁰See, e.g., *Baklid-Kunz*, 2012 U.S. Dist. LEXIS 158944, at *22 (holding that “[t]o the extent any of the remaining entries in the privilege log contain privileged information, as categorized in Section II, *supra*, those entries shall first be redacted and then produced”); *In re Seroquel Prods. Liab. Litig.*, 2008 U.S. Dist. LEXIS 39467, at *111 (holding that “AstraZeneca may also be entitled to a privilege with respect to any actual legal advice rendered as part of the drafting effort, even though the rest of the process is not protected. As to such items, AstraZeneca could redact the request for legal advice and the attorney’s response.”).