EMPLOYED LAWYERS AND THE ATTORNEY-CLIENT PRIVILEGE—PARSING THE TRADE-OFFS

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When Julie Spellman Sweet was hired in 2010 as general counsel for Accenture, she was told by company officials they wanted her business judgment as well as her legal skills. And they meant it. On Monday, the global consulting firm named Sweet its new chief executive for North America.1

I. INTRODUCTION

In an increasingly regulated and litigious business environment, corporate America necessarily depends on sophisticated, timely legal advice.2 Traditionally, such advice has been available from outside law firms (sometimes referred to as lawyers in “private practice”) and from lawyers employed on a full-time basis by the entity requiring such advice (often referred to as “in-house counsel” and, more generally, as “employed lawyers”).

For more than half of the previous century, many lawyers in private practice viewed employed lawyers as second-class citizens.3 At some point in time, there

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1. Sue Reisinger, Accenture Elevates GC to CEO, Names New GC, CORP. COUNS. (May 5, 2015).

2. See, e.g., Andrew Ross Sorkin, Big Law Steps into Uncertain Times, N.Y. TIMES (Sept. 24, 2012, 5:20 PM), http://dealbook.nytimes.com/2012/09/24/big-law-steps-into-uncertain-times/?r=0 (“As regulations change and the threat of litigation rises, the importance of lawyers has never been greater.”).

3. See, e.g., Abram Chayes & Antonia H. Chayes, Corporate Counsel and the Elite Law Firm, 37 STAN. L. REV. 277, 277 (1985) ("The traditional house counsel was a relatively minor management figure, stereotypically, a lawyer from the corporation’s principal outside law firm who had not quite made the grade as partner. The responsibilities of general (corporate) counsel were confined to corporate housekeeping and other routine matters and to acting as liaison (perhaps a euphemism for channeling business) to his former firm."); Geoffrey C. Hazard, Jr., Ethical Dilemmas of Corporate Counsel, 46 EMORY L.J. 1011, 1011-12 (1997) ("In an earlier day, the term ‘house counsel’ was one of double disparagement. The term implied a lawyer who labored under a client’s thumb, unable to exercise the ‘independent professional judgment’ that was a defining

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may have been objective justifications for such perception, whether or not merited in fact. But that time has long since passed. Today, the influence and prestige of employed lawyers is second to none. Indeed, some veteran observers believe that the senior managers of American industry are more likely to seek out and rely upon the advice of employed lawyers than that of the most seasoned partners of the outside firms they regularly retain.

The sole “client” of an employed lawyer is his or her employer. Unlike lawyers in private practice, employed lawyers tend to be in contact with their client on a regular basis, typically throughout every working day. They meet face-to-face with the agents of their client on a regular and repeated basis. They necessarily learn the subtleties of their client’s business and associated legal issues at a level of detail unknown to lawyers in private practice. Such regular, repeated client contact and such deeper understanding of the underlying business issues facing the client necessarily draw many employed lawyers into decision-making that involves, in addition to “pure” legal issues, a combination of legal and business considerations and, in some cases, purely business considerations.
Indeed, as noted by the quote at the outset of this Article, corporations employing full-time counsel often do so with the expectation that such counsel will bring their business expertise to the table, and many of them view that additional input as a value-added element of the overall relationship.8

There has been much debate as to whether the “total immersion” of employed lawyers in the business affairs of their clients—as well as, in most cases, their entire dependence on one source of income for their livelihood9—undermines the level of objectivity believed to be necessary to render sound legal advice.10 While it is possible to identify instances that support such a view,11 seventy-seven percent of those in North America agreed (“slightly” or “strongly”) that “giving commercial advice is as important as giving legal advice.” KPMG, BEYOND THE LAW-KPMG’S GLOBAL STUDY OF HOW GENERAL COUNSEL ARE TURNING RISK TO ADVANTAGE 7 (2012) (copy on file with Toledo Law Review). The study found that inside counsel believed that their business advice was beneficial to their employer, and many desired they be asked for it more often:

Our survey found more GC overall are involved in business strategy than they were five years ago and this reflects the changing mindset of many organizations towards the contribution GC can make. However, we also found a gap between the number of GC who want to be involved and those who are actually getting that greater involvement. When asked if the involvement of the GC in the commercial decision-making process could improve the performance of the company and reduce its risks, 79 percent of all respondents agreed…. However, when asked if they are actually more involved in formulating business strategy now than five years ago, only 67 percent said that they were. While figure 6 reveals some differences in percentage terms between regions, the trend is clear; GC are not as involved in business strategy as they would like to be.

Id.

8. One measure of the expectation of lawyers providing business advice is the number of lawyers rising to the level of CEO in major corporations. See Michele DeStefano Beardslee, Taking the Business out of Work Product, 79 FORDHAM L. REV. 1869, 1876 n.23 (2011) and sources cited therein.

9. Sally R. Weaver, Ethical Dilemmas of Corporate Counsel: A Structural and Contextual Analysis, 46 EMORY L.J. 1023, 1027 (1997) (“The first, and perhaps most critical, difference between corporate counsel and their colleagues in private practice is the economic dependence of corporate counsel on a single client.”) (citing Gen. Dynamics Corp. v. Superior Court, 876 P.2d 487, 491 (Cal. 1994) (“Unlike the law firm partner, who typically possesses a significant measure of economic independence and professional distance derived from a multiple client base, the economic fate of in-house attorneys is tied directly to a single employer, at whose sufferance they serve.”)).

10. For an interesting discussion of five structural aspects inherent in the employed lawyer function that can lead to different ethical problems for employed lawyers than those faced by outside counsel, see Weaver, supra note 9, at 1026-30.

11. One of the most visible, if atypical, examples arises in Securities & Exchange Commission v. Kozlowski, Lit. Rel. No. 19682, 2006 SEC LEXIS 985 (May 2, 2006) (announcing a consent and proposed consent final judgment against inside general counsel, one Mark Belnick, in connection with his employer’s failure to disclose $14 million in interest-free loans to such counsel in numerous filings with the SEC). The consent judgment included an injunction against future violations of the securities laws, a $100,000 fine, and a five-year ban on serving as an officer or director of a public company. Id. Belnick was acquitted, after trial, of state charges of grand larceny, securities fraud, and falsifying business records arising from the same and similar transactions. For one view of the impediments to independence facing employed lawyers, see Sung Hui Kim, The Banality of Fraud: Re-Situating the Inside Counsel as Gatekeeper, 74 FORDHAM L. REV. 983 (2005). The author posits a “banality thesis” as an explanation for the inaction by
there are also numerous instances where the actions of outside counsel on behalf of corporate clients were alleged to evidence their own brand of highly compromised objectivity. Employed lawyers provide a high volume of efficient and sophisticated counsel to their clients, day-to-day and hour-to-hour, that remains integral to the successful operation of a great percentage of large- and mid-cap enterprises, as well as a significant number of small and start-up enterprises. The reliance of American business enterprises on employed lawyers is unlikely to decrease; indeed, most evidence suggests that driven largely by costs and other efficiencies, it will continue to grow.

There are many aspects of an employed lawyer’s legal practice in the United States that differ from her counterpart in private practice. While both are admitted to the bar of at least one United States jurisdiction and subject to discipline by the disciplinary authorities of such jurisdiction, the nature of their practice and the manner in which they interact with their clients can result in disparate applications of certain bedrock principles inherent in the practice of law in the United States. One such principle that frequently varies in its application among lawyers in private practice and employed lawyers is the attorney-client employed lawyers in the face of wrongful acts by their employers. In applying her alternate banality thesis to the circumstances facing Belnick, Kim suggests:

"The behavioral origins of lawyer acquiescence in corporate fraud are found in commonplace interactions in organizational settings. In other words, what we perceive as “extraordinary behavior” on the part of inside counsel is better explained by analyzing what is “ordinary behavior” in the corporate workplace. Resisting the fundamental attribution error, my hypothetical suggests that unethical decisions made by inside counsel are better explained by the particular situation in which the inside counsel finds herself and the particular roles—mere employee, faithful agent, and team player—that constrain her actions. This situation is configured by economic, psychological, and ideological forces that incline the inside counsel to be complicit in fraud, not through any overt or explicit calculation, but through a subtle and implicit reconfiguration of preferences, self-conception, and motivation."  

Id. at 997 (internal footnote omitted).


13. See Rebekah Mintzer, More Money, More Problems for General Counsel, CORP. COUNS. (Feb. 15, 2015) (copy on file with Toledo Law Review) (“The ‘2015 Global General Data Counsel Survey,’ which Consero developed with CDS Legal and CPA Global [and which] uses responses collected from general counsel in Fortune 1000 companies, … found that these general counsel are seemingly getting more support, both in funding and human resources. Some 59 percent of respondents said their department budget has increased over the last 12 months; and 70 percent had experienced increases in staff over the last year.”).

14. Many states now permit a limited registration of employed lawyers having offices in the state. Conditions to such registration usually include: (1) having, at the time of registration and at all times thereafter, active full registration in another jurisdiction; (2) having no clients other than their employer; and (3) agreeing to be bound by the disciplinary rules of the jurisdiction issuing the limited license. See, e.g., PA. BAR ADMISSION R. 302 (2004), available at http://www.pacode.com/secure/data/204/chapter71/chap71toc.html.
privilege. The core elements of the attorney-client privilege apply equally to outside counsel and employed lawyers. However, the varying roles of employed counsel within the organization and the manner in which employed lawyers communicate in corporate environments have put increasing pressure on business entities attempting to sustain a claim of privilege relating to internal communications to and from their employed lawyers.

This Article obviously has direct relevance to the ever-increasing ranks of employed lawyers, but it also has significance for lawyers in private practice. Lawyers in private practice are frequently called upon to separate the wheat (communications that may be withheld on the grounds of an applicable privilege or immunity) from the chaff (all other responsive documents) when assisting clients in responding to discovery requests in litigation. Ignorance of the current state of privilege law, as it applies to internal corporate communications to and from employed lawyers, is not bliss. Beyond avoiding unfounded claims of privilege in responding to discovery requests, an examination of current case law in this area suggests that many very large and sophisticated businesses and their lawyers—both employed and retained—badly misunderstand the many ways in which the otherwise privileged status of internal communications with their legal departments may be forfeited. From all indications, many need affirmative guidance, and outside firms are in a position to provide some of that guidance. Finally, although the case law seems to generally accord a higher presumption of privilege to communications between a corporate client and outside counsel, some of the same factors that can destroy the privilege for internal corporate communications with employed lawyers will also apply to those with outside counsel. Clients are often unhappy when a court rejects a claim of privilege, particularly when it may have been sustained if some steps were taken differently.

15. It bears noting that many of the decisions reviewed in this Article also involve claims of work product immunity. While that subject is always of continuing interest, it is beyond the scope of this Article.

16. In addition to the issues discussed in this Article, two common concerns facing employed lawyers seeking to preserve the attorney-client privilege of their client/employer are: (a) extraterritorial limitations on the attorney-client privilege for employed lawyers; and (b) problems arising from the always escalating demands of independent accountants for disclosure, in connection with the audit process, of otherwise privileged communications. Both issues are beyond the scope of this Article. The former is discussed briefly in infra note 36. The latter is broad and complex. Judge Friendly’s oft-cited decision in United States v. Kovel, 296 F.2d 918, 922 (2d Cir. 1961), permits accountant involvement in privileged communications without waiver of the privilege if the accountant has been retained as an agent of the lawyer to assist the lawyer in rendering legal services to the client. Unfortunately, the Kovel scenario is not the one usually faced by employed lawyers. The normal scenario involves required disclosures to independent accountants (auditors) retained by the employer/client to express an opinion on the client’s financial statements. Many courts have held that such disclosure of otherwise privileged communications destroys the privilege. See, e.g., In re John Doe Corp., 675 F.2d 482, 488 (2d Cir. 1982); Medinol, Ltd. v. Boston Scientific Corp., 214 F.R.D. 113, 117 (S.D.N.Y. 2002). Some jurisdictions have established an accountant-client privilege by statute. Where applicable, these statutes can mitigate the effects of disclosures made to accountants in the course of an audit or related engagements.
Part II of this Article reviews the basic purpose and parameters of the attorney-client privilege and its application to business entities. Part III reviews the primary purpose test applied to both communications by and to a lawyer to determine whether a colorable claim of privilege may be asserted. Part IV examines two main impediments identified in recent case law to an organization’s assertion of the privilege for communications to and by employed lawyers: the delegation of non-legal responsibilities to employed lawyers and the problematic manner in which putatively privileged communications frequently are conducted within the modern corporation. Part V examines two theories—unsuccessful thus far—to support the availability of the privilege for internal corporate communications with employed lawyers in circumstances when, for a variety of reasons, it may otherwise be unavailable. Part VI poses questions for corporate entities to consider if they seek to increase the chances of a successful claim of privilege for internal communications with their employed lawyers. Part VII extrapolates certain issues in Part VI to communications between corporations and outside counsel. Part VIII offers some associated conclusions.

II. FOUNDATIONAL BUILDING BLOCKS OF THE ATTORNEY-CLIENT PRIVILEGE

The foundational building blocks of the attorney-client privilege were famously summarized sixty-five years ago by Judge Wyzanski:

The privilege applies only if (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of the bar of a court, or his subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion on law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client.  

Readers of this Article need little reminder of ten foundational building blocks of the attorney-client privilege, all of which have been recited so often that they require no more than perfunctory citation:

♦ “The attorney-client privilege is the oldest of the privileges for confidential communications known to the common law.”

♦ The privilege arose from the desire to encourage confidential communications between clients (including prospective clients) and counsel. It is based on the theory that society, in general, benefits when

people are encouraged to obtain legal advice on a confidential basis\textsuperscript{19} with the goal that the ability to obtain such advice freely thereby promotes broader public interests in the “observance of law and administration of justice.”\textsuperscript{20} In close questions, courts will often consider whether sustaining a claim of privilege would be consistent with the underlying purposes for which it was created—for example, confidential communications between a client and his counsel that seek or contain exclusively non-legal (e.g., business) advice do nothing to foster the goals of the privilege and, consequently, are not accorded protection.\textsuperscript{21}

\begin{itemize}
  \item The modern view is that the privilege is generally a two-way street. It protects confidential communications \textit{to} counsel and \textit{by} counsel, regardless of whether the latter necessarily reveals (or is “derivative of”) the former.\textsuperscript{22}
  \item Because the privilege operates in derogation of the principle that the public has a claim to every man’s evidence and because courts have witnessed what they believe to be serial abuses of the privilege in improper attempts to withhold evidence, courts construe the privilege narrowly.\textsuperscript{23} Indeed, there are so many judge-made limitations on the successful assertion of the privilege—including doctrines resulting in unintentional waiver of a right to assert the privilege—that many pragmatic lawyers are loathe to advise their clients that they will necessarily succeed in a claim of privilege, even when the circumstances would appear to support it and no known exception or limitation would appear applicable.\textsuperscript{24}
  \item The privilege is owned by the client, not the lawyer, and it is thus within the exclusive control of the client to assert or waive the privilege.\textsuperscript{25}
\end{itemize}

\begin{footnotes}
\item See, e.g., Schwimmer v. United States, 232 F.2d 855, 863 (8th Cir. 1956).
\item Upjohn Co., 449 U.S. at 389.
\item See, e.g., In re Grand Jury Subpoena Duces Tecum, 731 F.2d 1032, 1037 (2d Cir. 1984).
\item See, e.g., United States v. Mobil Corp., 149 F.R.D. 533, 536 (N.D. Tex. 1993) (“The attorney-client privilege protects two related, but different, communications: (1) confidential communications made by a client to his lawyer for the purpose of obtaining legal advice; and (2) any communication from an attorney to his client when made in the course of giving legal advice, whether or not that advice is based on privileged communications from the client.”).
\item See, e.g., Pac. Pictures Corp. v. United States Dist. Ct., 679 F.3d 1121, 1126 (9th Cir. 2012) (“Because, like any other testimonial privilege, … [the attorney-client privilege] ‘contrave[n] the fundamental principle that the public has a right to every man’s evidence,’ … we construe it narrowly to serve its purposes.”) (internal citations omitted). This has been a consistent rule for an extended period. Foster v. Hall, 29 Mass. (12 Pick.) 89, 98 (1831) (“[T]his rule of privilege, having a tendency to prevent the full disclosure of the truth, ought to be construed strictly ….”).
\item The author practiced law with a seasoned litigator for many years who experienced what he believed to be so many \textit{bona fide} claims of privilege rejected by the courts that he reduced advice to his clients to writing only under extreme duress.
\item See, e.g., In re Seagate Tech., LLC, 497 F.3d 1360, 1372 (Fed. Cir. 2007) (“The attorney-client privilege belongs to the client, who alone may waive it.”).
\end{footnotes}
The privilege applies to communications; it does not attach to or enable the withholding of facts simply because they may be set out in such communications.\(^\text{26}\)

Communications will only be privileged if they are made in confidence.\(^\text{27}\) In the context of an organization, the confidentiality requirement permits dissemination among those who “need to know” of the communication in connection with the execution of their responsibilities within the organization, so long as dissemination is confined to such persons\(^\text{28}\) and such persons are subject to appropriate warnings on re-publication, either from the face of the document or from policies identifying the need to maintain the subsequent confidentiality of the communications.\(^\text{29}\)

Labeling a document as confidential or privileged may provide some helpful guidance to a court that the communication was intended by the creator to be privileged,\(^\text{30}\) but, at the end of the day, many courts will not find such a designation determinative if the substance of the

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\(^\text{26}\). See, e.g., City of Philadelphia v. Westinghouse Elec. Corp., 205 F. Supp. 830, 831 (E.D. Pa. 1962) ("[T]he protection of the privilege extends only to communications and not to facts. A fact is one thing and a communication concerning that fact is an entirely different thing. The client cannot be compelled to answer the question, 'What did you say or write to the attorney?,' but may not refuse to disclose any relevant fact within his knowledge merely because he incorporated a statement of such fact into his communication to his attorney.").

\(^\text{27}\). See, e.g., United States v. Pipkins, 528 F.2d 559, 562 (5th Cir. 1976).

\(^\text{28}\). See RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 73(4)(b) & cmt. g (2000) (permitting disclosure to “other agents of the organization who reasonably need to know of the communication in order to act for the organization”). The “need to know” doctrine can extend to employees in the bottom reaches of the organizational chart. DAVID M. GREENWALD, PROTECTING CONFIDENTIAL LEGAL INFORMATION: A HANDBOOK FOR ANALYZING ISSUES UNDER THE ATTORNEY-CLIENT PRIVILEGE AND WORK-PRODUCT DOCTRINE 48-49 (2011) ("Under the ‘need-to-know’ doctrine, sharing documents with lower-echelon employees who need to know the information does not show an indifference to confidentiality and does not waive the protection of the privilege.").

\(^\text{29}\). See, e.g., United States v. Rockwell Int’l, 897 F.2d 1255, 1265 (3d Cir. 1990) ("The attorney-client privilege does not apply to communications that are intended to be disclosed to third parties or that fact are so disclosed."). In the absence of a well understood confidentiality policy or appropriate cautionary language on the fact of a privileged communication restricting republication, it is difficult—perhaps impossible—to establish that confidentiality was intended.

[For] each communication withheld from discovery on a contested ground of attorney-client privilege, the proponent must establish that he intended the communication to be confidential. If this is not apparent from the circumstances surrounding the communication, usually it will be established through an affidavit from the author or recipient of the communication, or, in a business setting, through an affidavit from someone within the company who is familiar either with company policy, or custom and practice, regarding storage and distribution of communications of this nature.


\(^\text{30}\). See, e.g., In re Grand Jury Proceedings, No. M-11-189, 2001 U.S. Dist. LEXIS 15646, at *36 (S.D.N.Y. Oct. 3, 2001) ("While the determination of whether a document is privileged does not depend upon the technical requirement of a privilege legend, the existence of such a legend may provide circumstantial evidence that the parties intended certain communications to be privileged.").
document or the way the document was handled does not otherwise satisfy the criteria for privilege.\(^{31}\)

- It has been settled law in the United States for almost a century that a corporation has the right to assert its own attorney-client privilege.\(^{32}\) In *Upjohn v. United States*, the Supreme Court held that, for purposes of litigation in the federal courts, a confidential communication between counsel for the corporation with a representative of the corporation at any level of the corporate hierarchy would be privileged if: (a) the communications were made by corporate employees to corporate counsel at the direction of their superiors; (b) the superiors directed the employees to communicate with corporate counsel in order for the corporation to obtain legal advice; (c) the employees' responsibilities included the subject matter of the communication; and (d) “the employees themselves were sufficiently aware that they were being questioned in order that the corporation could obtain legal advice.”\(^{33}\) Many state courts have adopted the *Upjohn* formulation, whereas other courts apply different tests or have yet to squarely address the issue.\(^{34}\)

- Finally, the *Upjohn* Court sustained a claim of privilege for communications by corporate employees with the inside counsel of *Upjohn* that met the foregoing criteria.\(^{35}\) It necessarily follows that the same general rules with respect to the privilege apply to a corporation asserting privilege whether the communications with corporate constituents are conducted with employed lawyers or with outside counsel.\(^{36}\) 

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31. See, e.g., Pure Power Boot Camp, Inc. v. Warrior Fitness Boot Camp, LLC, 587 F. Supp. 2d 548, 564 (S.D.N.Y. 2008) (“The fact that the e-mails contain a warning indicating they contain ‘PRIVILEGED AND CONFIDENTIAL INFORMATION,’ does not transform them from non-privileged communications into privileged communications.”). It necessarily follows that the absence of such a legend will not preclude a finding of privilege if the requirements of such a finding are otherwise met. E.g., Wellnx Life Scis. Inc., v. Iovate Health Scis. Research, Inc., No. 06 Civ. 7785, 2007 U.S. Dist. LEXIS 39290, at *7 (S.D.N.Y. May 24, 2007). It also follows that overuse of such legends on documents that are clearly not privileged tends to devalue the efficacy of the legend, create credibility gaps, and may cause a court to deny privilege status in close cases when a more judicious use of the legend might have produced a better result.


34. See Brian E. Hamilton, *Conflict, Disparity, and Indecision: The Unsettled Corporate Attorney-Client Privilege*, 1997 ANN. SURV. AM. L. 629, 633 (“Of the fifty states, fourteen have adopted *Upjohn* or another subject matter approach and eight have adopted the control group test. Twenty-eight states have yet to decide which approach will govern, as there has been neither a state high court ruling nor a statute or evidentiary rule adopted on the matter in those states. Within the undecided states, however, there have been lower court decisions where the *Upjohn* approach was utilized.”).


36. Shelton v. Am. Motors Corp., 805 F.2d 1323, 1326 n.3 (8th Cir. 1986) (“The parties do not dispute that a corporation’s ‘in-house counsel’ is afforded the same protection as ‘outside counsel’ with respect to the … attorney-client privilege [citing *Upjohn*].”). However, the recognition of a corporate attorney-client privilege for communications with employed lawyers outside of the United States is problematic. Compare Case C-550/07 P, Akzo Nobel Chems. Ltd. v. Comm’n,
III. THE “PRIMARY PURPOSE” TEST

We know from the principles set out above that confidential communications seeking or conveying legal advice qualify for protection under the privilege, and those seeking or conveying some other kind of advice, such as business or scientific advice, even if made to or by a lawyer, do not. One might not be surprised that courts have been forced to deal with the status of communications that sought or conveyed a mix of legal and non-legal advice.

The complete lawyer may well promote and reinforce the legal advice given, weigh it, and lay out its ramifications by explaining: how the advice is feasible and can be implemented; the legal downsides, risks and costs of taking the advice or doing otherwise; what alternatives exist to present measures or the measures advised; what other persons are doing or thinking about the matter; or the collateral benefits, risks or costs in terms of expense, politics, insurance, commerce, morals, and appearances. So long as the predominant purpose of the communication is legal advice, these considerations and caveats are not other than legal advice or severable from it.37

The apparently uniform conclusion, in the federal court system at least, is that a claim of privilege for a mixed communication—one seeking or conveying both legal and non-legal advice—is not lost so long as the “primary” purpose 38 is to seek or convey legal advice. On the other hand, it is quite possible for in-house counsel to create communications that a court concludes are devoid of legal advice.39


37. In re Cnty. of Erie, 473 F.3d 413, 420 (2d Cir. 2007) (emphasis added).


39. See, e.g., MSF Holding, Ltd. v. Fiduciary Trust Co. Int’l, No. 03 Civ. 1818, 2005 WL 3338510, at *1 (S.D.N.Y. Dec. 7, 2005) (finding an in-house counsel with the title of Senior Vice President and Deputy Corporate Counsel “never alluded to a legal principle in the documents nor engaged in legal analysis”). Instead, in-house counsel “collected facts just as any business executive would do in determining whether to pay an obligation. In doing so, she evidently relied...
While much of the foregoing focuses on the primary purpose of communications by a lawyer, courts have also consistently applied the primary purpose doctrine to communications to a lawyer. As we shall see in Part IV, courts have examined both the capacity in which the employed lawyer was acting when receiving a communication and the number of recipients of a communication having non-legal functions in determining whether the primary purpose test for communications to a lawyer has been satisfied.

What if a communication fails the primary purpose test? As we see below, if the communication is from the client to the lawyer, the privilege may be lost for the whole of it. On the other hand, if the communication is from counsel to the client, redaction of the legal advice portion of the communication may be possible.

There are over thirty-five decisions of appellate and trial courts sitting in every circuit, with only limited exceptions, that have applied the primary purpose test. One privilege expert is nonetheless guardedly critical of the test, stating that “[t]he primary purpose requirement has been widely adopted by the courts despite the fact that neither the purpose, logic, nor focus of the requirement is clear.” Whether or not well articulated by the courts, the doctrine obviously creates a balancing test. It preserves communications seeking or conveying legal advice that contain some elements not essential to that purpose, while denying protection for communications that more incidentally seek or convey legal advice in the context of overriding non-legal purposes. As one might imagine, divining the primary purpose of complex internal corporate communications is, if anything, far more an art than a science, and, in some cases, courts have employed some rather crude rules of thumb to accomplish the task.

IV. IMPEDIMENTS TO THE ASSERTION OF THE ATTORNEY-CLIENT PRIVILEGE FOR COMMUNICATIONS WITH EMPLOYED LAWYERS

As is clear from the above discussion, a corporation has an attorney-client privilege for confidential communications to and from both outside and inside counsel when the primary purpose of the communication is to obtain or convey

on her knowledge of commercial practice rather than her expertise in the law. The documents are therefore not privileged.” Id.

40. E.g., U.S. Postal Serv. v. Phelps Dodge Ref. Co., 852 F. Supp. 156, 163 (E.D.N.Y. 1994) (“The attorney-client privilege would apply to such documents if they contained communications intended to be confidential and a dominant purpose of the communication was to obtain legal advice.”); McCaugherty v. Siffermann, 132 F.R.D. 234, 238 (N.D. Cal. 1990) (“[T]he court should sustain an assertion of privilege only when there is a clear evidentiary predicate for concluding that each communication in question was made primarily for the purpose of generating legal advice.”); N.C. Elec. Membership Corp. v. Carolina Power & Light Co., 110 F.R.D. 511, 514 (M.D.N.C. 1986) (“[T]he client’s confidential communication must be for the primary purpose of soliciting legal, rather than business, advice.”).

41. See infra Part IV.

42. See, e.g., In re Cnty. of Erie, 473 F.3d at 421 n.8.

43. 1 PAUL R. RICE, ATTORNEY-CLIENT PRIVILEGE IN THE UNITED STATES § 7:6 n.2 (West 2012).

44. Id. § 7.7.
legal advice. There are, however, two major hurdles in successfully asserting the privilege—both invoking the primary purpose requirement—when the lawyer involved is an employed lawyer rather than outside counsel.

A. Multi-Tasking

Many corporations delegate a variety of non-legal responsibilities to and confer associated “business” titles on lawyers in their legal departments. As Professor Rice has explained:

“It is often difficult to apply the attorney-client privilege in the corporate context to communications between in-house corporate counsel and those who personify the corporate entity because modern corporate counsel have become involved in all facets of the enterprises for which they work. As a consequence, in-house legal counsel participates in and renders decisions about business, technical, scientific, public relations, and advertising issues, as well as purely legal issues.”

Intent problems arise most frequently in a corporate or other business context when the attorney is in-house counsel. In-house counsel often have responsibilities which extend beyond the mere rendering of legal advice—for example, in-house counsel might also act as an executive vice president with designated business responsibilities. The responsibilities as vice-president and lawyer may overlap significantly and the purpose of various communications with others within the organization may begin to blur. Many courts fear that businesses will immunize internal communications from discovery by placing legal counsel in strategic corporate positions and funneling documents through counsel (viz, addressing documents to the lawyers with copies being sent to the employees with whom communications were primarily intended) ....

As a result, courts require a clear showing that the attorney was acting in his professional legal capacity before cloaking documents in the privilege’s protection.

Professor Rice quoted the foregoing passage in his report as Special Master in In re Vioxx Products Liability Litigation. Vioxx arose in the context of multidistrict products liability litigation over allegedly adverse effects of Merck’s initially successful pain reliever, Vioxx. The Vioxx decision addresses

45. In re Cnty. of Erie, 473 F.3d at 420.
46. RICE, supra note 43, § 7:2 n.2 (quoting In re Vioxx Prods. Liab. Litig., 501 F. Supp. 2d 789, 797 (E.D. La. 2007)).
47. Id. § 7:2.
49. Id. at 790 ("Merck, a New Jersey corporation, researched, designed, manufactured, marketed, and distributed Vioxx to relieve pain and inflammation resulting from osteoarthritis, rheumatoid arthritis, menstrual pain, and migraine headaches. On May 20, 1999, the Food and Drug Administration approved Vioxx for sale in the United States. Vioxx remained available to the
substantially all of the problems presented by this Article in the context of internal communications to and from Merck’s legal department and numerous other personnel within the corporation.

One of the lawyers at Merck, heavily involved in all aspects of the Vioxx product, had the title of “Vice President and Assistant General Counsel.” The Special Master noted that she “served on a number of committees responsible for ensuring compliance with regulatory schemes” and that “[I]n her review of articles, letters, reports, memoranda, agendas, labels, contracts, and proposals, and based on her broad regulatory experience, she proposes scientific, technical, legal, editorial, and grammatical revisions with occasional commentary.” The breadth of her assigned responsibilities obviously put a strain on the notion that her comments on documents were purely or, in many cases, even principally legal in nature—a strain that may well have been present, but not likely in such an aggravated manner, if she had occupied an exclusively legal role.

The multiplicity of roles played by the Vice President and Assistant General Counsel in Vioxx was complicated further by the fact that she had the unilateral power to “stop publications that she [did] not find to be legally acceptable by making ‘mandatory comments’ on drafts that must either be complied with or her concerns otherwise satisfied.”

[She] has been given broad powers to compel revisions (in the form of additions and deletions), through “mandatory comments” that serve as holds on letters, advertisements, presentations, labels, articles, television commercials, media inquiries, scientific reports, contracts, and research proposals. None of these communications can be published without her comments being incorporated or her concerns otherwise satisfied. As a consequence, her general role in the company public until September 30, 2004, at which time Merck withdrew it from the market when data from a clinical trial indicated that the use of Vioxx increased the risk of cardiovascular thrombotic events such as myocardial infarctions (heart attacks) and ischemic strokes (“). The Vioxx decision discussed in this Article was one of over forty published opinions issued in the multidistrict litigation and related litigation. The decision arose in the context of Merck’s production of over two million documents and a claim of privilege on approximately 30,000 of them. Initially, the court attempted to examine each document for which Merck claimed privilege. The Fifth Circuit rejected that approach. Vioxx Prods. Liab. Litig. Steering Comm. v. Merck & Co., Nos. 06-30378, 06-30379, 2006 U.S. App. LEXIS 27587, at *8, 10 (5th Cir. May 25, 2006).

Pursuant to the Fifth Circuit’s remand decision, Merck delivered to the Court 10 additional boxes containing approximately 2,000 documents that it contended were representative of all the documents for which it was claiming privilege. In re Vioxx, 501 F. Supp. 2d at 791. Judge Fallon appointed Professor Paul R. Rice, an acknowledged expert on the attorney-client privilege, as a Special Master pursuant to Fed. R. Civ. P. 53. Id. at 791-92. The Court requested that Special Master Rice review the representative documents in addition to approximately 600 additional documents that the Plaintiffs’ Steering Committee believed to be relevant to trial preservation depositions. Id. The Special Master was tasked with making recommendations on Merck’s claims of privilege. Id. The Court adopted the Special Master’s report, while modifying the Special Master’s determinations as to some documents at issue. Id. at 815-16. The reported decision reproduces the Special Master’s report. Id. at 795-813.

50. Id. at 801 n.20.
51. Id.
52. Id.
appears to have become more like an executive officer, rather than a legal advisor to those who make publication decisions.  

The Special Master found that this veto power was not the exercise of a legal function and that, in its exercise, “the role of legal counsel would change from legal advisor to corporate decision-maker. This is a role that the corporation does not have the right to delegate to attorneys and then insist that the decisions they make are immune from discovery.” The Special Master noted that while it may have been in Merck’s interest to broaden the responsibilities and title of the Assistant General Counsel to include what he perceived to be business functions, such a decision “has consequences that Merck must live with relative to its burden of persuasion when privilege is asserted.”

The party asserting the attorney-client privilege will always have the burden of proving that the requirements have been met. While a client has the claim of privilege for communications to and from both outside and inside counsel, in either case, such a claim will always implicitly include an assertion that the advice sought or obtained was primarily legal advice and not business advice. In the case of an employed lawyer, that burden will always be incrementally heavier if the lawyer in the equation also had express business responsibilities.

53. Id. at 804 n.25.
54. Id. at 804.
55. Id.
56. United States v. BDO Seidman, 337 F.3d 802, 811 (7th Cir. 2003) (“The mere assertion of a privilege is not enough; instead, a party that seeks to invoke the attorney-client privilege has the burden of establishing all of its essential elements.”).
57. In re Vioxx, the Special Master adopted a presumption that communications to and from Merck’s outside counsel were for the purpose of seeking and conveying legal, as opposed to business, advice:

In the few communications that were to and from Merck outside counsel ..., we assumed that legal advice was being sought and given unless the content of the communications indicated otherwise. We thought this logical inference was justified absent evidence of a continuing relationship between the corporation and the law firm in the company’s business affairs.

In re Vioxx Prods. Liab. Litig., 501 F. Supp. 2d 789, 797 n.12 (E.D. La. 2007). A similar presumption was adopted in Diversified Industries, Inc., v. Meredith, 572 F.2d 596, 610 (8th Cir. 1977) (“Here, the matter was committed to [an outside law firm], a professional legal adviser. Thus, it was prima facie committed for the sake of legal advice and was, therefore, within the privilege absent a clear showing to the contrary.”). The “primary purpose” requirement has been criticized on the basis that, among other things, it reflects (or, as applied, results in) an unfair bias against claims of privilege by employed lawyers. See Grace M. Giesel, The Legal Advice Requirement of the Attorney-Client Privilege: A Special Problem for In-House Counsel and Outside Attorneys Representing Corporations, 48 MERCER L. REV. 1169, 1206-15 (1997).

58. E.g., Ames v. Black Entm’t Television, No. 98 Civ. 0226, 1998 U.S. Dist. LEXIS 18053, at *21-22 (S.D.N.Y. Nov. 18, 1998) (“Because an in-house attorney, particularly one who holds an executive position in the company, often is involved in business matters, in order to demonstrate that the communication in question is privileged, the company bears the burden of ‘clearly showing’ that the in-house attorney gave advice in her legal capacity, not in her capacity as a business advisor.”); In re Sealed Case, 737 F.2d 94, 99 (D.C. Cir. 1984) (“We are mindful, however, that C was a Company vice president, and had certain responsibilities outside the lawyer’s sphere. The Company can shelter C’s advice only upon a clear showing that C gave it in a
B. Methods of Internal Communication

As is the case in many other forms of human endeavor, email is the prevalent form of communication within substantially all large organizations, in some cases to the exclusion of almost everything else.\(^{59}\) Email strains the notion of confidential communications to and from counsel because of the ease with which others—often persons with exclusively business responsibilities—are included as recipients of both the communication (as addressees or copies) and the response (through the “reply to all” function). The collaborative internal email process is made more complex by the line editing of lawyers on attached documents that, on their face, are not otherwise privileged.\(^{60}\)

All of these features of email—mass collaboration, attachments, and line-edit responses—facilitate both: (a) the solicitation of input in the same outgoing message from non-legal and legal personnel; and (b) the ability of all from whom comments are solicited to see the conversation with others. These features have rewards such as efficiency and, at least theoretically, a superior collaborative end product. However, they are frequently the enemy of the preservation of attorney-client privilege.\(^{61}\)

The *Vioxx* court held—as many others have—that, in general, an email addressed to non-legal and legal personnel (either as additional or copied addressees) cannot satisfy the primary purpose test. The *Vioxx* court stated:

> When, for example, Merck 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.\(^{62}\)

One articulated theory for this rule is that revealing what has been requested of counsel on the face of discoverable documents (because they would be found

\(^{59}\) Kristen Purcell & Lee Rainie, *Technology’s Impact on Workers*, PEW RES. CENTER (Dec. 30, 2014), http://www.pewinternet.org/2014/12/30/technologys-impact-on-workers (“What is potentially surprising is that even in the face of constantly evolving forms of digital communication, potential threats like phishing, hacking and spam, and dire warnings about lost productivity and email overuse, email continues to be the main digital artery that workers believe is important to their jobs. Since taking hold a generation ago, email has not loosened its grip on the American workplace.”).

\(^{60}\) *In re Vioxx*, 501 F. Supp. 2d at 806.

\(^{61}\) *Id.*

\(^{62}\) *Id.* at 805.
in the files of non-legal personnel) “breaches the confidentiality of that communication to the attorneys and thereby destroys the attorney-client privilege protection.” 63 While the *Vioxx* court would permit Merck to argue that “addressing communications to both lawyers and non-lawyers could reflect the seeking of legal advice from the lawyers and that the non-lawyers were simply being notified about the nature of the legal services sought,” the court deemed it “more probable that the non-lawyers were being [sent] the communications for separate business reasons.” 64 Other courts, before and after *Vioxx*, have accepted the rule that a communication to both non-legal and legal personnel presumptively fails the primary purpose test. 65

Although the *Vioxx* court held that the problem of non-legal or legal addressees can be circumvented by sending *blind* copies to inside counsel—or by sending the same message separately to inside counsel—it is clear that, in either case, (a) there likely will be no privilege for the message in the form that it was sent to internal non-legal personnel, and (b) any privilege for the message in the form it was sent to inside counsel will be dependent on separately satisfying the primary purpose test. 66 While that burden should be incrementally easier to satisfy when the message does not suffer from the rule described immediately above, many of the messages described in the decisions, even in the hands of counsel, would not have survived a primary purpose analysis.

In addition to the legal or non-legal addressee problem, the Special Master in *Vioxx* applied nine other rules in resolving claims of privilege for emails, attachments, responses, and line-edited attachments. 67 Some of the main principles set out in those rules, to the extent not discussed above, are:

- Stand-alone messages to inside counsel raising identifiable legal questions, whether or not answered by counsel, would be privileged; in that context, comments by counsel on attached documents, including minor grammatical and editorial comments, were accepted as presumptively legal and privileged if the attachment was a legal

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63. Id. at 809.
64. Id.
instrument (e.g., a contract); if the attached document was not a legal instrument and had changes and commentary made by counsel that were extensive or related primarily to technical, scientific, promotional, management, or marketing matters and did not appear related to legal assistance, Merck bore the burden of convincing the court that, appearances notwithstanding, the comments constituted legal advice.68

♦ Circulating a privileged response of inside counsel to non-legal personnel for non-legal purposes will destroy the privilege, but specific advice of counsel may be redacted.69

♦ Electronic line edits on non-privileged documents that are made by inside counsel and reflect legal advice do not result in the entire document becoming privileged, but specific line edits reflecting legal advice may be redacted.70

♦ Emails from inside counsel that did not reflect either what the inquiry to counsel had been or the substance of the response (because the substance was reflected on an attachment) were not privileged, even though the attachment may be.71

♦ Each message in an extended email thread is a separate message for privilege analysis, with the result that the appearance of inside counsel on some messages within a thread will not result in the entire thread being privileged.72

Unlike the rule that messages having non-legal and legal addressees presumptively fail the primary purpose test, the balance of the rules applied in Vioxx has not received endorsement by multiple courts.73 Some might argue with plausibility that some of the rules seem unduly restrictive. Nonetheless, because of the high reputations of Professor Rice and Judge Fallon, who adopted the Special Master’s report, one ignores them at one’s possible peril.

V. TWO DOGS YET TO HUNT

In the Vioxx litigation, Merck advanced two theories in an attempt to expand the outer limits of the attorney-client privilege. The first was that as a major pharmaceutical manufacturer, its entire enterprise—indeed, almost everything that it did—was subject to pervasive regulation by the Food and Drug Administration.74 It necessarily followed, argued Merck, that the dissemination of drafts of articles to a broad swath of non-legal personnel were part of a

68. Id. at 811.
69. Id. at 810-11.
70. Id. at 810 (“Having chosen the electronic format, Merck cannot convert discoverable documents into non-discoverable privileged documents by the format in which they chose to render the advice.”).
71. Id. at 812.
72. Id.
74. In re Vioxx, 501 F. Supp. 2d at 800.
“collaborative effort to accomplish a legally sufficient draft,” and, therefore, “the dissemination of proposed letters, reports, proposals, or articles to departments specializing in such diverse things as science, technology, public relations, or marketing are all primarily for legal advice or assistance.”

The Special Master, and the court in adopting his report, rejected the “pervasive regulation” argument on several grounds. First, the Special Master noted that all corporations use a collaborative effort to create a successful business.

To say that wide dissemination to non-lawyers within a company for their technical input is still primarily legal, makes no more sense than saying that communicating with in-house counsel is primarily scientific because scientific validity is at the heart of FDA regulations and, as a consequence, of what lawyers must be concerned about in public statements, advertisements, and labels.

Second, Merck’s “argument, if successful, would effectively immunize all internal communications [within] the drug industry, … preclud[ing] plaintiffs from discovering communications [relating to] knowledge, failure to timely warn, and intentional misrepresentation.” This, said the Special Master, would be “allowing the tail to wag the dog.”

Finally, the Special Master noted that many of the inside lawyers’ communications for which Merck made claims of privilege that were rejected by the court involved advice by counsel on a Merck-created “Medical Legal Reference Manual.” If the court had accepted Merck’s “pervasive regulation” view of the world, claims of privilege for these communications would likely have been sustained. The court rejected the notion that advice given with reference to the Manual was privileged:

[Advice envisioned by the attorney-client privilege is advice about the laws imposed on us by society, not the rules that we impose on ourselves through guidelines, manuals, or otherwise. The interpretation and application of the latter does not require either a law degree or admission to a bar association. While the principles and policies that prompted the creation of this Medical Legal Reference Manual may have been laws, both statutory and regulatory, their interpretation and application must stand on their own, outside their characterization in a Manual. Consequently, we interpreted Merck’s references to its Manual as illustrating regulatory principles to which it believed it was bound, but not as a basis for applying the privilege protection.]

75. Id. at 803.
76. Id.
78. Id. at 803.
79. Id.
80. Id.
81. Id.
82. Id. at 803-04.
This last ground for rejecting the “pervasive regulation” argument may seem strained and highly technical. But accepting it at face value, inside lawyers should likely be careful to render advice with respect to applicable laws and regulations themselves and not internal compendia or company policies that may be derived from them.

The “pervasive regulation” argument has been advanced in at least one other case and met a similar fate. In In re Seroquel Products Liability Litigation,83 the court stated:

This argument goes way too far. Almost any act by a business (or an individual for that matter) carries the potential for running afoul of some law or regulation or giving rise to a civil action. The pharmaceutical industry is subject to more regulation and more complex regulation than some other industries (though less than some others). The fact of extensive or pervasive regulation does not make the everyday business activities legally privileged from discovery. Routine inclusion of attorneys in the corporate effort of creating marketing and scientific documents does not support the inference that the underlying communications were created and transmitted primarily to obtain legal advice as is required to justify a privilege.84

The other over-arching argument advanced by Merck and rejected by the court in the Vioxx litigation would have protected communications among non-legal personnel on a “reverse engineering” theory.85 Merck argued that if the plaintiffs could discover original communications among non-legal personnel and the initial drafts for which comments were sought, as well as comments by non-legal personnel and the final copy of the subject document, the plaintiffs would be able to “reverse engineer” the legal input by isolating the changes for which no non-legal input had been offered.86 The court found the argument specious, noting that certain isolated changes may well have been made orally by non-legal personnel or by the originator of the document.87 Further, as noted above, the court believed that changes in a document forced by legal personnel pursuant to an effective veto power over all documents were the result of the exercise of such power as a corporate decision-maker and not as a legal advisor.88

VI. SOME CONSIDERATIONS FOR SUCCESSFUL ASSERTION OF THE PRIVILEGE FOR COMMUNICATIONS WITH EMPLOYED LAWYERS

The last decade of decisions on the application of the attorney-client privilege to communications to and from employed lawyers leaves corporate

84. Id. at *7.
86. Id.
88. Id. at 804 n.25.
clients with a number of choices. It is likely that almost all legal departments would benefit from a close reading of the current decisional law in this area. After that, there are decisions to be made that impact, in many fundamental ways, what a corporate employer should expect in the way of non-legal responsibilities from its employed lawyers and how the legal department interfaces with senior and middle management in the organization. There may be no right or wrong choice, except perhaps on issues where the same result can be reached in two ways, one that likely preserves the privilege and one that likely does not. But the legal department, as well as those it serves, should understand the likely consequences of different decisions on an issue and the trade-offs inherent in each choice.

Some of the questions raised in various areas are:

**In General:**

- In all cases, do the members of the legal department and the members of senior and middle non-legal management understand the basic elements of the privilege and the need for confidentiality?
- Does the corporation have confidentiality policies that reinforce that understanding, and are employees regularly reminded of them?
- Do the members of the legal department and management understand the limited (but not entirely useless) effect of an express designation of written communications as privileged?
- If located in a jurisdiction that does not follow *Upjohn*, but rather the outmoded “control group” test or some other variation, do the members of the legal department understand the specific universe of management with whom privileged communications may be had?
- Does management understand that simply copying in-house counsel on communications or attempting to funnel business communications through in-house counsel will not result in the communication being privileged?

**Dual Roles:**

- Is it necessary or desirable to assign business functions or titles to employed lawyers?
- If yes, should some members of the legal department—including well-seasoned members in each important discipline—assume exclusively legal roles within the company?
- Should employed lawyers be vested with corporate decision making authority?

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Communications:

- Are members of management sensitized to the fact that some highly sensitive communications are best made orally, in person, or by telephone (but not voicemail)?
- Have members of management been educated on the consequences of addressing email communications to both legal and non-legal personnel?
- Should members of management be prohibited from doing so?
- Are members of management educated on the consequences of making both legal and business inquiries of inside counsel in the same communication?
- Are employed lawyers educated on the possible consequences of mixing legal and business advice in the same communication?
- Have the members of the legal department considered the rules set out in Vioxx for email communications and the consequences of imparting legal advice through edits in attachments that may subsequently be widely circulated?

Management may conclude that no changes on the foregoing matters are necessary or desirable and that the advantages a certain course of conduct may have in successfully asserting the privilege in the future are outweighed by legitimate business objectives. Management may well conclude that running one’s life, or the life of an organization, to shoehorn into evidentiary rules that may never be implicated may be counter-productive. Yet, it seems likely that the questions set out above, and others like them, might well result in minor, or more, modifications in the conduct of the day-to-day operations of management and the inside legal functions that do not impinge efficiency and increase the chances of successfully asserting the privilege when all of its elements are otherwise present.

In Litigation:

- Do lawyers and others retained to handle production understand the core concepts for claiming the privilege as it relates to communications to and from employed lawyers?
- Are those responding to production requests discouraged from over-designating responsive documents as privileged? Do they appreciate that the maxim “it can’t hurt to try” does not apply to building a credible privilege log? 90
- Do those responding to production requests understand that a privilege log is not “self-proving” and the types of independent support that will be required to support the claims made by a log?

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90. For a discussion of the “incentives” to over-designate privileged documents and what the courts of one state are doing to stop it, see Erik J. Olson et al., The Wheels Are Falling off the Privilege Bus: What Deal Lawyers Need to Know to Avoid the Crash, 66 BUS. LAW. 901, 907-12 (2011).
VII. EXTRAPOLATIONS FOR OUTSIDE COUNSEL

Although the party asserting the attorney-client privilege will always have the burden of proving that its requirements have been met, courts have often applied a presumption that communications with outside counsel were for the purpose of seeking legal, and not business, advice.91

Apparently on the basis of probability, some courts operate under a presumption that a client who consults outside counsel with no non-legal responsibilities to the client (e.g., holding a corporate office) sought legal advice from that attorney. Although not clear from their opinions, the courts appear to apply this presumption to both the client’s purpose in consulting with the attorney—to obtain advice or assistance—and the nature of the advice sought—legal as opposed to business or other types of advice. The status of the attorney in relation to the client (outside rather than in-house) establishes these facts by a prima facie standard.92

Even with the presumption, there are many ways in which communications with outside counsel can go astray—for many of the same reasons that imperil communications to and from employed lawyers. For example, if outside counsel is included on communications also addressed to several non-legal personnel in the client’s management, the multi-addressee hurdle might well trump the “outside counsel presumption.”93 Similar principles apply to the giving of advice to corporate clients. Put simply, the email problems and abuses identified in Part IV are equally applicable to communications to and from outside counsel. To the extent outside counsel permits the client to draw it into multi-party, client-internal communications or conveys legal advice in a manner that the Vioxx opinion finds problematic, the privilege for its purely legal advice may be jeopardized.

Outside counsel should, therefore, be familiar with the questions posed in Part VI, both to assist the client in preserving the privilege when communicating with outside counsel, as well as using the same principles to assist the client in preserving the privilege when it may otherwise be applicable for the client’s internal communications. Of course, the client controls the decision of whether

91. See, e.g., In re Vioxx, 501 F. Supp. 2d at 797 n.12 (“In the few communications that were to and from Merck outside counsel ..., we assumed that legal advice was being sought and given unless the content of the communications indicated otherwise. We thought this logical inference was justified absent evidence of a continuing relationship between the corporation and the law firm in the company's business affairs.”). Many other courts have applied this presumption. See, e.g., United States v. Chen, 99 F.3d 1495, 1501 (9th Cir. 1996); United States v. Chevron Texaco Corp., 241 F. Supp. 2d 1065, 1073 (N.D. Cal. 2002); AT & T Corp. v. Microsoft Corp., No. 02-0164 MHP (JL), 2003 WL 21212614, at *4 (N.D. Cal. Apr. 18, 2003); Ideal Elec. Co. v. Flowserve Corp., 230 F.R.D. 603, 607 (D. Nev. 2005); Phillips v. C.R. Bard, Inc., No. 3:12-cv-00344-RCJ-WGC, 2013 WL 1333790, at *15 (D. Nev. Mar. 29, 2013).


93. See In re Avandia Mktg., Sales Practices & Prods. Liab., No. 07-md-01871-CMR, 2009 WL 4807253, at *11 (E.D. Pa. Oct. 2, 2009) (“The email in Document # 24 was sent to twenty-seven GSK employees, only two of whom are attorneys, as well as to outside counsel .... Under these circumstances, the primary purpose of [the communication] was not the obtaining or giving of legal advice, and [it is] not protected by the attorney-client privilege.”).
to adopt policies to preserve the privilege to the maximum extent possible for internal and external communications or accept the trade-offs inherent in not doing so. But the client may well be unimpressed if outside counsel observes practices generally understood to undermine the preservation of the privilege and fails to raise them, at least when first identified, with the client.

VIII. CONCLUSION

Much of the case law described in this Article has been made under tortuous circumstances. For example, in the Vioxx litigation, the corporate defendant produced over two million documents and claimed privilege on approximately 30,000 documents. The supposedly privileged documents amounted to nearly 500,000 pages and filled 81 boxes. As produced, the documents for which privilege was claimed were not categorized or grouped together. In the view of the Special Master, the corporate defendant’s privilege log contained inadequate descriptions of documents and inadequate explanations of the basis for claims of privilege. The corporate defendant failed to supply affidavits supporting many of its claims.

Initially, the court attempted to examine each document. The Fifth Circuit rejected that approach. On remand, a Special Master and a Special Counsel appointed by the court examined and reexamined approximately 2,500 supposedly privileged documents (believed to be representative of the 30,000 for which privilege was claimed) in approximately 60 days and prepared tentative conclusions and, ultimately, an extensive report. The review process resulted in fees and expenses of over $400,000.

The Vioxx court described the massive undertaking of reviewing Merck’s privilege claims as “[i]n the long run … detrimental to the … system of justice.” That, of course, was a substantial understatement. It is also detrimental to the creation of clear and logical judge-made law. When litigants make over-inclusive claims of privilege and fail to provide the court with appropriate support—either because the support does not exist or because they are simply unwilling to provide it—the rules of the road that emerge from such an exercise cannot help but be influenced by the conduct of the parties and their counsel.

95. Id. at 791.
96. Id.
98. Id.
99. Id. at 791.
102. Id. at 815 n.35.
103. Id.
It may be debatable whether existing judge-made law unfairly restricts the availability of successful claims of attorney-client privilege for communications to and by employed lawyers. What is clear is that the ground rules—for good or ill—are now reasonably well understood. Or, at the least, corporate litigants should be prepared to face many of the rules laid out in *Vioxx* and similar decisions.

Corporations are in a position to intelligently choose whether to assign non-legal responsibilities to employed lawyers and how to conduct their internal communications with their employed lawyers and non-legal personnel. Corporations can take affirmative steps to increase their prospects for success in claiming privilege for communications to and from their legal departments. Or they can sacrifice more likely success on privilege claims for other perceived efficiencies that they believe arise from delegating business responsibilities and authority to their employed lawyers and from conducting broadly collaborative internal communications that intermingle business and legal issues and include both legal and non-legal recipients. What seems clear from existing case law is that it is difficult to achieve both ends, and such case law suggests that many corporations with employed lawyers may have yet to carefully weigh the available alternatives.