

Preserving Privilege for In-house Counsel

The Lessons of the *Vioxx MDL*

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Lawyers, particularly in-house lawyers, may confront a dramatic change in the legal standards for what communications will be considered privileged as a result of a recent decision and order issued last month in the *Vioxx* litigation pending in the Eastern District of Louisiana.¹ In adopting wholesale the recommendations of the court's special master, the court threw into question in broad areas of corporate endeavor the availability of the privilege, particularly with respect to e-mail communications among in-house counsel and other corporate employees in an opinion that may carry more serious implications with respect to the availability of the privilege for those who need it most: companies that operate in highly regulated industries.

How to Preserve Privilege Under the *Vioxx* Rules

- Communications to outside counsel are presumptively considered privileged in a way those to in-house counsel are not.
- Communications to a "mixed" audience of lawyers and client representatives are less likely to be considered privileged than those only addressed to lawyers. Thus, to preserve privilege, it might be necessary to undertake communications in series (with the lawyer at the hub) than in parallel.
- Edits and comments by lawyers to traditional legal instruments are likely to be considered privileged. However, the same changes by lawyers to non-legal documents, even documents that carry legal implications, are unlikely to be considered privileged absent proof that the primary purpose was to render legal advice.
- When an email is addressed to both lawyers and non-lawyers for comment, review and approval, the primary purpose of the communication could be deemed *not* legal, and accordingly the email will not be privileged

unless the party can provide evidence to rebut this assumption.

- If a lawyer makes electronic edits to an attachment sent to both lawyers and non-lawyers, a party may redact the lawyer's edits and comments but the attachment itself is discoverable.
- Where an attachment is sent only to a lawyer for review and comment, the attachment itself is privileged. However, if the non-lawyer subsequently forwards the privileged attachment to other non-lawyers, the attachment is no longer privileged unless it is forwarded only to those within the corporate structure who need the legal advice for the fulfillment of their corporate duties.
- An email together with its privileged attachment may be discoverable if the email itself contains no privileged communications.
- Parties cannot claim privilege on an entire email thread where only certain emails within the thread are privileged.
- Communications are only privileged under the work-product doctrine where they specifically identify that litigation is anticipated and the party asserting privilege can prove that the communication was created in preparation for litigation.

Key Holdings by the Court

- A communication to counsel is only privileged where the *primary* purpose of the communication is to seek legal advice. "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 enterprise for which they work." (Order, p. 13.)

¹ The Order can be found on the Internet at: <http://vioxx.laed.uscourts.gov/Orders/12023.pdf>

- ♦ Special Master Rice and the court assumed that communications between Merck’s outside counsel and Merck were for the purpose of seeking legal advice and thus privileged. (Order, p. 14 n. 12.)
- ♦ For in-house counsel, however, the court had to ascertain the purpose of both those seeking advice and the in-house counselor. (Order, p. 14.) Merck, as the party asserting the privilege, had the burden of proving that the primary purpose was to seek legal advice. (Order, p. 18.)
- ♦ Where a communication was sent to both lawyers and non-lawyers, the court did not consider the number of lawyers as compared to non-lawyers. (Order, pp. 17-18.) “If the primary purpose is mixed, it does not become less mixed because of the number of one type of recipient over another.” (*Id.*)
- The court was not persuaded by Merck’s “pervasive regulation” theory. “Without question, the pervasive nature of government regulation is a factor that must be taken into account when assessing whether the work of the in-house lawyers in the drug industry constitutes legal advice, but those drug companies cannot reasonably conclude from the fact of pervasive regulation that virtually everything sent to the legal department, or in which the legal department is involved, will automatically be protected by the attorney-client privilege.” (Order, p. 19.)
- ♦ In a case where approximately 3% of the production was withheld because of a claim of privilege, the court concluded that “[a]ccepting such a theory would effectively immunize most of the industry’s internal communications because most drug companies are probably structured like Merck where virtually every communication leaving the company has to go through the legal department for review, comment, and approval.” (*Id.*)
- ♦ The court generally concluded that comments on legal instruments were privileged communications, but that comments on “non-legal” documents (articles, scientific reports, study proposals) were not privileged. (Order, p. 21.)
- The “reverse-engineering” theory of privilege – which argues that drafts of writings edited by non-lawyers should be privileged because opposing counsel can compare those with the final drafts to determine which edits were made by lawyers – was rejected as blurring

the line between legal advisor and corporate decision-maker.

- Where a lawyer makes comments primarily concerned with technology, science, public relations, marketing, or other non-legal subjects, those comments will be assumed to be non-privileged unless the proponent of the privilege can demonstrate on a document-by-document basis that the comments are primarily related to legal assistance.

Legal Purpose Is the Threshold Test for Privilege

The court found that in-house counsel often wears many hats and that the very skills that make one a successful lawyer may also make one useful for non-legal purposes such as the writing and editing of technical, scientific and business documents. Nonetheless, attorney-client privilege only extends to *legal* advice. The court concluded that such a distinction is difficult to make where electronic communications contain both legal and non-legal advice. Accordingly, a court will only find a communication to be privileged where the purpose of the email is primarily legal in nature. While an incidental request for business advice will not destroy privilege, simply identifying a legal issue in a communication will likewise fail to create privilege. Ultimately, the proponent of the privilege bears the duty to establish that a communication is primarily legal in purpose.

Pervasive Government Regulation Does Not Lessen a Company’s Burden to Show that Each Communication by In-house Counsel Was Primarily for Seeking Legal Advice

Merck offered affidavits, exhibits, articles and even a reference manual to demonstrate how even the most mundane action may have legal consequences. Accordingly, Merck suggested that most communications to and from in-house counsel – including the dissemination of scientific articles and marketing reports – were privileged. The court concluded that such a theory is unacceptable, as it would effectively protect all communications with in-house counsel from discovery. He found that such a result would frustrate broad discovery as authorized by the Federal Rules of Civil Procedure. Additionally, the court noted that the advice from in-house counsel often extended to non-legal areas such as promotion, marketing and technology. Because such communications would not be privileged anyway, the court concluded that concerns about free communication with in-house coun-

sel are outweighed by the need for broad discovery. The court observed:

Indeed, many of the documents that we examined appeared to reflect far more technical, scientific, promotional, marketing, and general editorial input from lawyers than would be expected of a legal department primarily concerned about legal advice and assistance. While we acknowledge that in many of these instances what appears not to be legal assistance may, in fact, fall within the protection of the attorney-client privilege, it was Merck's burden to successfully establish this on a document-by-document basis.

(Order, p. 19.)

What's the Difference Between a Cc And a Bcc?

The court noted that when a document is sent simultaneously to lawyers and non-lawyers, it will generally find that its primary purpose is not legal. Accordingly, when an email includes lawyers and non-lawyers in the header, the court will find that the communication is not confidential and thus require that the email be produced. The end result is that the opposing party will know that the email was received by in-house counsel. However, if a lawyer is sent a *blind* copy, the court will find that the communication to the lawyer is confidential. Thus while the email will be produced from the inbox of the non-lawyers who received it, the same email in the inbox of a lawyer will be protected by attorney-client privilege and the opposing party will never know the lawyer received it.

The Bottom Line on Mixed-Purpose Communications

While a party can prove otherwise on a document-by-document basis, a court will generally infer that both an

email and attachments thereto are primarily non-legal in purpose when they are sent to both lawyers and non-lawyers. Accordingly, the court will find that both the email and the attachment are not privileged. Even where an email – and the subsequent response from a lawyer – are initially privileged, a party can destroy that privilege by forwarding the email to non-lawyers for non-legal purposes. The court reasoned that, absent such a rule, corporations could protect all documents by initially sending them to legal counsel for review before disseminating them corporate-wide.

Differentiating Emails from Attachments

While there is no legal issue where both an email and its attachment are privileged, how does one treat an otherwise unprivileged document attached to a privileged email? The court held that a “privilege protects what independently is not privileged only if it is attached to, or incorporated in, a communication that is protected by the privilege.” Thus, one must first determine whether the underlying email is privileged, and to do that one must go back to the issue of primary purpose. In situations where the email was sent to a lawyer for legal advice, the court will protect the attachment as well as the email. In situations where the email was sent to lawyers and non-lawyers alike, the attachment is not protected.

Similarly, the fact that an attachment is privileged does not mean the same is true of the accompanying email. If the email itself does not reveal any confidential information, it is not protected by attorney-client privilege even if the email is the means for obtaining legal advice.

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