# Exploring Common Pitfalls of Privilege

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# Meet the Speakers


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# Agenda

- Definitions of attorney-client privilege and attorney work product
- Waiver of privilege and scope of the waiver
- Common interest privilege and maintaining privilege during diligence
- Issues surrounding privilege in foreign jurisdictions
- Patent agent privilege and potential pitfalls

# Attorney-Client Privilege and Work Product

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# Privileges—Federal

- **Attorney-Client Privilege; Fed. R. Evid. 502**
  - Confidential communications between attorneys and clients concerning legal advice are privileged under the doctrine of attorney-client privilege

- **Attorney Work Product Protection; Fed. R. Civ. P. 26(b)(3)**
  - Party's documents and notes – including those of the parties' representatives and attorneys – made primarily in anticipation of litigation are privileged under the work product doctrine.

# Privileges—Texas

- **Attorney-Client Privilege; Tex. R. Evid. 503(b)**
  - Confidential communications between attorneys and clients (or their representatives) made to facilitate the rendition of professional legal services to the client.

- **Work Product Protection; Tex. R. Civ. P. 192.5**
  - Communications or material prepared, or mental impressions developed, in anticipation of litigation or for trial by or for a party or a party's representatives, including the party's attorneys, consultants, sureties, indemnitors, insurers, employees, or agents.
  - Attorney mental processes are “core” work product and not discoverable.

# Federal Rule: “Primary” Purpose is Legal Advice

**Federal Common Law**

- No presumption that a company’s communications with counsel are privileged. *Equal Emp. Opportunity Comm'n v. BDO USA, L.L.P.*, 876 F.3d 690, 696 (5th Cir. 2017)
- CC’ing an attorney or referencing a meeting where an attorney was present is not enough to invoke privilege
- If communications made to secure legal advice also advance some other, business-related purpose, the general rule is that the communication is privileged if the “primary purpose” is to obtain or provide legal advice. *Id.*

# Texas Rule: No Requirement For "Primary" Purpose

**TRE 503(b)(1). General Rule**. A client has a privilege to refuse to disclose and to prevent any other person from disclosing confidential communications made to facilitate the rendition of professional legal services to the client:

"More important, the language of Rule 503(b) ***does not require that the primary*** purpose of the communication be to facilitate the rendition of legal services; it only requires that the communication be made ***to facilitate the rendition of legal services***."

*In re Fairway Methanol LLC*, 515 S.W.3d 480, 489 (Tex. App.—Houston [14th. Dist.] 2017, orig. proceeding)

# An Example - Is It Privileged?

- July 20—Senior in-house counsel for Google sits in on presentation from a vendor accusing company of infringing vendor's patents
- July 30—GC and senior in-house counsel meet with Google engineer to formulate a response to infringement claims
- August 6—Google engineer sends email to VP and cc's senior in-house counsel

# An Example - Is It Privileged?

Attorney Work Product

Google Confidential

Hi Andy,

This is a short pre-read for the call at 12:30. In Dan's earlier email we didn't give you a lot of context, looking for the visceral reaction that we got.

What we've actually been asked to do (by Larry and Sergei) is to investigate what technical alternatives exist to Java for Android and Chrome. We've been over a bunch of these, and think **they all suck**. We conclude that we need to negotiate a license for Java under the terms we need.

*In re Google Inc.*, 462 F. App'x 975, 976 (Fed. Cir. 2012)

# Not Privileged

- Email directed to management, not attorneys
- The ask came from executives, not attorneys
- Conclusion: Nothing in the email indicates the engineer sent the email in anticipation of litigation or to further the provision of legal advice.

# Redactions Won't Always Save You

- ***RCHFU v. Marriott Vacations Worldwide,*** **2018 U.S. Dist. LEXIS 198355 (D. Colo. May 23, 2018)**
- **Case type: Breach of fiduciary duty, constructive fraud, unjust enrichment**
- **Plaintiff moved to compel the production of a unredacted version of the strategic plan memorandum to the Corporate Growth Committee on multiple grounds, including that the memorandum was not or not completely legal advice so the attorney-client privilege does not apply**
- **Colorado law applied**
- **Difference between business and legal advice was highlighted:**
  - "Business communications are not protected merely because they are directed to an attorney, and communications at meetings attended or directed by attorneys are not automatically privileged as a result of the attorney's presence."
  - "The corporation must clearly demonstrate that the communication in question was made for the express purpose of securing legal not business advice." (internal quotations omitted)

# A Lawyer's Name Insufficient to Invoke Privilege

- ***Epic Games, Inc. v. Apple Inc.*, No. 4:20-cv-05640-YGR (N.D. Cal. Apr. 28, 2021)**
- **Case type: Antitrust**
- **Apple clawed back three documents as being inadvertently produced, asserting they were privileged**
- **Court rejected Apple's privilege claims**
  - For one email, the Court noted "It is entirely a business discussion, and nothing in it sounds remotely like a request for [the attorney's] legal advice, or for [the attorney] to say anything at all. ***This is a clear example of business people including a lawyer in an email chain in the incorrect belief that doing so makes the email privileged***. It does not."
- **Another withheld document was a draft presentation that purportedly "reflects the legal advice that they provided to Apple business people in connection" with the program described in it**
  - "Lots of documents are reviewed and revised by attorneys and therefore reflect legal advice they provided to business people...The attorney-client privilege protects the communications between attorney and client involved in the drafting of those documents, such as emails with redlined documents reflecting legal advice or oral conversations giving legal advice. But that's it."

# Email Chain Between Two Non-Lawyers—Privileged?

- **A series of emails between inventor of patent at issue and business coordinator**
- **Inventor and business coordinator share responsibility for the patent**
- **No lawyer cc'd**
- **Email chain clawed back during deposition**
- **Produced a version redacting the shared legal advice the inventor/business coordinator had received**

*Nalco Co. v. Baker Hughes Inc.*, No. 4:09-CV-1885, 2017 WL 3033997, at *3 (S.D. Tex. July 18, 2017)

# 7:57 a.m. email—Privileged?

- Inventor tells business coordinator about a specific request he made for legal advice to an attorney regarding the patent.

*Nalco Co. v. Baker Hughes Inc.*, No. 4:09-CV-1885, 2017 WL 3033997, at *3 (S.D. Tex. July 18, 2017)

# 12:55 p.m. email—Privileged?

- Business coordinator asks inventor about the effect of an unexpired patent on the enforceability of the patent at issue.

*Nalco Co. v. Baker Hughes Inc.*, No. 4:09-CV-1885, 2017 WL 3033997, at *3 (S.D. Tex. July 18, 2017)

# 3:38 p.m. email—Privileged?

- Inventor communicates his opinions on the impact of the patent on proposed business practice based on prior art and the patent claims to the business coordinator.

*Nalco Co. v. Baker Hughes Inc.*, No. 4:09-CV-1885, 2017 WL 3033997, at * 4(S.D. Tex. July 18, 2017)

# Privilege – Takeaways

- Appreciate the difference between legal advice and business advice
  - Legal advice – advising on existing law, advising on litigation
  - Business advice – attending business meetings, acting as a note-taker
- Document lawyer's role in ongoing projects in meeting minutes, memos, or other corporate documents
- Take the time to send separate emails or memos that focus on the legal issues in a dual-purpose matter
- Educate employees about importance of expressly saying in an email that they are relaying or seeking legal advice, if that's the case
- Limit recipients of privileged information (i.e. be careful with investment bankers, independent auditors, etc.)
- Educate teams on importance of not forwarding legal advice

# Work Product Protection

- **Protects certain materials prepared in the course of litigation**

- **Requirements:**
  - Documents and tangible items
  - Prepared in anticipation of litigation/trial
  - By or for a Party or Attorney or a representative of a Party or Attorney

# Work Product Protection

- **Label documents or materials created in anticipation of litigation**
- **Litigation holds should be in place**
- **Generating memorandum from interviews, you can separate out your thoughts and impressions from the facts section to protect the impressions should the memorandum ever need to be produced in redacted form**
- **Be very careful when conducting pre-suit diligence or testing**
  - Keep in mind the “substantial need” exception to work product protection

# Waiver of Privilege and the Scope of the Waiver

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# Forms of Privilege Waiver

- **Unintentional/Inadvertent Waiver**
- **“At-Issue” Waiver**
- **Advice of Counsel**
- **Selective Disclosure**

# Waiver—Failure to Tightly Control Dissemination

- ***TransWeb LLC v. 3M Innovative Props. Inc.*, 2012 WL 2878076, at *14 (D. N.J. Apr. 12, 2012)**
- **Technology: Materials science**
- **Issue: Whether Defendant 3M properly asserted attorney-client privilege and/or work product doctrine over a sample of 20 documents**
- **Applied Third Circuit law**
- **The Special Master assessed the application of the attorney-client privilege in a corporate setting:**
  - "[D]ocuments subject to the privilege may be transmitted between non-attorneys…so that the corporation may be properly informed of legal advice and act appropriately. [T]here must be 'some nexus' between the non-attorney, the privileged communication and a specific attorney." (internal quotes and cites omitted)
  - "Still, a corporation may waive the attorney-client privilege by disclosing otherwise protected communications to employees who do not possess the need to know the information."

# Waiver—Failure to Remedy Inadvertent Disclosure

- ***AdTrader, Inc. v. Google, LLC,* 405 F. Supp. 3d 862 (N.D. Cal. 2019)**
- **Email from a Google product manager to other Google employees was produced in a production of about 10,000 pages of documents ("Yu email")**
- **Google alleged that the email contained some privileged information that should have been redacted**
- **Timeline:**
  - December 2018 – Google produces unredacted email
  - February 2019 – AdTrader relies on and quotes from the email in four filings
  - August 6, 2019 – Google discovers the privilege issue
- **Privilege was waived for failing to follow-up after the use of the email in public court filings**

# Waiver—Failure to Remedy Inadvertent Disclosure

- ***Irth Solutions, LLC v. Windstream Communications LLC*, 2017 WL 3276021 (S.D. Ohio Aug. 2, 2017)**
- **Claims involved breach of contract, balance due on an account, unjust enrichment, promissory estoppel, fraud, and violation of a license agreement case**
- **In January 2017, Defendant inadvertently produced 43 privileged documents**
  - Documents were clawed back
  - 19 days after the inadvertent production, Defendant produced a privilege log that identified the inadvertently produced documents
  - A discovery dispute was raised about the propriety of Defendant's attempted clawback of these documents
- **In March 2017, Defendant inadvertently produced the same 43 privileged documents again in a second document production**
- **There was a clawback agreement in place between the parties, purportedly covering any inadvertent production of privileged material.**

# Waiver—Selective Disclosure—Subject Matter Waiver

- **Tex. R. Evid. 511(a)**
- (a) General Rule. A person upon whom these rules confer a privilege against disclosure waives the privilege if:
- (1) the person or a predecessor of the person while holder of the privilege voluntarily discloses or consents to **disclosure of any significant part** of the privileged matter unless such disclosure itself is privileged;

# Texas—Selective Waiver——Subject Matter Waiver

- ***Univ. of Texas Sys. v. Franklin Ctr. for Gov't & Pub. Integrity*, 675 S.W.3d 273 (Tex. 2023), reh'g denied (Oct. 20, 2023)**
- **Consultant hired by the General Counsel to conduct confidential internal investigation into the admissions processes at UT Austin.**
- Consultant issues public report—the "Kroll Report"—including factual findings and quotes from interviews.
- Was there limited waiver with respect to underlying communications?
  - *Category 1 Documents: Internal Attorney–Client Emails Shared with Kroll*
  - *Category 2 Documents: Kroll's Interview Notes*
  - *Category 3 Documents: Draft Communications from [GC] Sharphorn to UT Employees That Were Shared with Kroll*

# Waiver—"At-Issue" Waiver

- **Privileged communications are not waived without <u>voluntary</u> conduct to directly put the privilege "at issue"**

- ***In re Itron, Inc.*, 883 F.3d 553 (5th Cir. 2018)**

  - Plaintiff claimed that corporate officers of a company it acquired lied about contractual obligations to a third party. Plaintiff then sued the defendant officers for "negligent misrepresentation, seeking as compensatory damages the cost of the . . . litigation and settlement."

  - Defendant sought plaintiff's communications with plaintiff's lawyers at Gibson Dunn to prove reliance upon bad advice as a superseding cause of the injury.

  - Fifth Circuit held no waiver by filing of lawsuit.

# Waiver—"At-Issue" Waiver

- **A party waives the protection of the attorney-client privilege when the party voluntarily injects into suit a question that turns on state of mind.**

- ***Pall Corp. v. Cuno Inc.*, 268 F.R.D. 167 (E.D.N.Y. 2010)— "Good faith" defense**

  - Counterclaim against patent owner for inequitable conduct during Patent Office proceedings.

  - "Patent owner asserted that it acted in good faith at all times, relying, in part, on the thoughts and mental impressions of its patent prosecution counsel."

  - **Patent owner ordered to produce "hundreds of documents that may bear on the issue of Pall's good faith.**

# Waiver—Advice of Counsel

- ***Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005)**
  - Once a party announces that it will rely on advice of counsel, for example, in response to an assertion of willful infringement, the attorney-client privilege is waived.
  - “The widely applied standard for determining the scope of a waiver of attorney-client privilege is that the waiver applies to all other communications relating to the same subject matter."

# Waiver—Advice of Counsel

- ***In re EchoStar Communications Corp.*, 448 F. 3d 1294 (Fed. Cir. 2006)**
  - Three categories:
  - **Waived:**
    - (1) documents that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter;
    - (3) documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communications to or from the client;
  - **Not waived:**
    - (2) documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney's mental impressions but were not given to the client.

# Common Interest Privilege / Maintaining Privilege During Diligence

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# Common Interest Privilege/Agreements

- **Exceptions to Waiver –** sharing privileged information is **not** a waiver when there is a common legal interest or joint privilege.

- **Common Legal Interest Agreement**
  - agreement between parties that share a legal interest and who wish to share privileged information without waiving the attorney-client privilege.
  - extends the A-C privilege to allow parties represented by different counsel to share information without waiving privilege

- Such an agreement is more likely to be effective near the end of the diligence process (when a party needs more (privileged) information to become comfortable enough to move ahead with the transaction). Generally not effective earlier on – especially when multiple suitors still involved.

# *10X Genomics, Inc. v. Celsee, Inc.*

- ***10X Genomics, Inc. v. Celsee, Inc.*, 505 F.Supp.3d 334 (D. Del. 2020)**
- **During the litigation, non-party Bio-Rad Laboratories acquired 100% of Celsee's stock pursuant to an acquisition agreement.**
- **During two depositions, Celsee instructed witnesses not to answer questions relating to documents Celsee disclosed to Bio-Rad and communications between Celsee and Bio-Rad during the negotiations that led to the acquisition agreement**
- **10X moved to compel the deposition of a witness to obtain this information**
- **To meet its burden that the common interest privilege applied, Celsee had to show that:**
  - "the interests it claims to hold in common with Bio-Rad are '**identical**, not similar, and [are] legal'… and that the communications it seeks to protect 'would no have been made but for the sake of securing, advancing, or supplying legal representation'"

# Mitigating Risk When Evaluating Confidential Information During Diligence

- Due diligence work necessarily involves communicating with third parties and asking for/reviewing third party information – often sensitive in nature, and time is of the essence. How to reduce risk?
- Avoid waiving privilege during due diligence and also try to reduce the risk of the other party waiving privilege
  - Do not share (or ask for) opinion letters or anything that is attorney-client privileged.
  - Sharing privileged information may result in full subject matter waiver.
- Plan for staged disclosure:
  - First request public information;
  - Enter into a confidentiality agreement;
  - Disclose prior art of potential relevance – only the documents, *not* the analysis;
  - Discuss the issues by phone
- Consider using outside counsel (instead of in-house personnel) to review confidential information to reduce contamination risk.

# Texas—Internal Investigations Can Be Privileged

- ***Univ. of Texas Sys. v. Franklin Ctr. for Gov't & Pub. Integrity*, 675 S.W.3d 273 (Tex. 2023), reh'g denied (Oct. 20, 2023)**
- **Kroll Associates: non-lawyer, non-employee, independent contractor**
- **Engagement agreement did not explicitly mention legal advice or legal services**
- **Publicly released final Kroll Report**
- **Withheld underlying communications and other materials**

- **Kroll's investigation was privileged as "lawyer's representative."**
  - No magic words required
  - Legal compliance was a "significant and inseparable part of the investigation" not incidental

# Privilege issues in Foreign Jurisdictions

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# Tests for Which Privilege Applies

- **"Touch base" test (Majority)**
  - "any communications touching base with the United States will be governed by the federal discovery rules while any communications related to matters solely involving [a foreign country] will be governed by the applicable foreign statute"
    - ***Astra Aktiebolag v. Andrx Pharms., Inc.*, 208 F.R.D. 92, 98 (S.D.N.Y. 2002)**
- **"Functional" test**
  - The court "look[s] to the foreign nation's law to determine the extent to which with the privilege may attach" to communications with a foreign patent agent.
    - ***Smithkline Beecham Corp. v. Apotex Corp.*, 193 F.R.D. 530, 535 (N.D. Ill. 2000)**

# Privilege Issues in International Settings

- Due diligence projects, internal investigations, and litigations are often global and may involve documents and information from countries with varying privilege laws and privacy laws.
- Depending on the country, work product and communications with consultants or patent agents may or may not be privileged.
- **Do not assume** U.S. privilege law is the law of all jurisdictions

- **BEST PRACTICE – consult lawyers in each jurisdiction to understand that country's privilege law/issues and then develop a plan for the treatment of information and maintenance of the privilege in that country. Also understand the players involved at a company level.**

# Patent Agent Privilege

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# Privilege – Patent Agent Privilege

- **37 C.F.R. 11.5(b):**
  - "Practice before the Office in patent matters includes, but is not limited to, preparing and prosecuting any patent application, consulting with or giving advice to a client in contemplation of filing a patent application or other document with the Office, drafting the specification or claims of a patent application; drafting an amendment or reply to a communication from the Office that may require written argument to establish the patentability of a claimed invention; drafting a reply to a communication from the Office regarding a patent application; and drafting a communication for a public use, interference, reexamination proceeding, petition, appeal to or any other proceeding before the Patent Trial and Appeal Board, or other proceeding."
- ***In re Queen's University at Kingston*, 820 F.3d 1287, 1301 (Fed. Cir. 2016)**
  - "Communications between non-attorney patent agents and their clients that are in furtherance of the performance of these tasks, or 'which are ***reasonably necessary and incident to the preparation and prosecution*** of patent applications or other proceeding before the Office involving a patent application or patent in which the practitioner is authorized to participate' receive the benefit of the patent-agent privilege."

# Privilege – Patent Agent Privilege

- ***In re Queen's University at Kingston*, 820 F.3d 1287, 1301 (Fed. Cir. 2016)**
  - Not covered - communications with a patent agent who is offering an opinion:
    - **On the validity of another party's patent in contemplation of litigation**
    - **On the validity of another party's patent for the sale of purchase of a patent**
    - **On infringement**
  - "[L]itigants must take care to distinguish communications that are within the scope of activities authorized by Congress from those that are not."

# *In re Silver*

- ***In re Silver*, 540 S.W. 3d 530 (Tex. 2018) (breach of contract)**
  - Technology at issue:  Ziosk, “a stand-alone tablet designed to allow customers at restaurants to order food and pay their check without having to interact with a waiter or waitress”
- **At issue:  Trial court’s order compelling the production of emails between Silver and his non-attorney patent agent**
- **Texas law defined an “attorney” pursuant to attorney-client privilege as “a person authorized, or who the client reasonably believes is authorized, to practice law in any state or nation”**
- **Emails were protected under attorney-client privilege as long as they were within the patent agent’s authorized practice area**

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# Questions?