

# “International Express”

## Cross-Border Business CLE



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Ethics For Breakfast

Attorney-Client Privilege & Work Product Doctrine in  
International Business Transactions (U.S.)

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# Ethics For Breakfast



# Origin of U.S. Attorney-Client Privilege

- Roots from English common law – privilege originally “owned” by Barrister to protect the Barrister’s honour
- Later applied to Solicitors
- Continued tradition in U.S. common law
- Assumed in earlier cases until 1900s



# Federal Courts & The Attorney-Client Privilege

- Most reported decisions are federal cases
- The privilege is an evidentiary issue preventing discovery of and excluding relevant evidence
- Generally privilege strictly construed
- Since approximately the 1990s, there has been an explosion of reported cases



# Fed. R. Evid. 501

- Federal question cases federal courts apply common law of privilege
- Diversity jurisdiction cases federal courts apply state privilege law -- “State law that supplies the rule of decision” *Erie v. Tompkins*
- What about mixed question cases, such as pendent jurisdiction?



# What State Law Applies?

Factors evaluated in domestic diversity cases:

1. Location of trial;
2. Discovery location where privilege asserted;
3. Originating location of attorney-client relationship;
4. Location of communication;
5. Location of lawsuit transaction/occurrence;
6. Domiciles, incorporation, doing business.



# Comity – As To Privilege Law

- “Federal courts give comity to foreign statutes governing the privileges of patent agents, when the communications relate solely to activities outside the United States.” *Chubb Integrated Sys. Ltd. v. National Bank of Washington*, 103 F.R.D. 52, 65 (D.D.C. 1984)



# Washington's Codified Privilege

“An attorney or counselor shall not, without the consent of his or her client, be examined as to any communication made by the client to him or her, or *his or her advice given thereon in the course of professional employment.*” (Emphasis added)

RCW 5.60.060(2)(a)





# Elements of the Privilege

“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.”

*United States v. United Shoe Mach. Corp.*, 89 F. Supp. 357, 358-59 (D. Mass. 1950)



# Derivative Privilege Protection

- Some federal courts and states do not apply privilege wholesale to communications from attorney
- Derivative protection applies only to attorney communications that embody confidential communications
- Some courts held that legal advice is not derivatively protected



# What Privilege Does Not Protect

The attorney client privilege shields communications made for the primary purpose of obtaining legal advice. Held not to apply to:

- Fee agreements & engagement letters
- Notices of court hearing dates/times
- Invoices & billing statements (Detailed?)
- Attorney as friend



# Work Product Doctrine

Protects documents prepared *in anticipation of litigation*.

- Fed. R. Civ. P. 26(b)(3)
- Wash. CR 26(b)(4)
- *Hickman v. Taylor*, 329 U.S. 495, 67 S. Ct. 385, 91 L. Ed. 451 (1947)
- *Soter v. Cowles Pub. Co.*, 162 Wn. 2d 716, 732, 174 P.3d 60, 69-70 (2007)



# Does Work Product Doctrine Apply In Business Transactions?

- Prepared in anticipation of litigation?
- Unclear in Washington and in Federal Courts
- Attorney-client privilege probably covers most attorney generated drafts, contracts and other documents not generally circulated



# Does Work Product Doctrine Apply In Business Transactions?

“There is also no valid reason to differentiate between the writings reflecting the private thought processes of a lawyer acting on behalf of a client at the beginning of a business deal and the thoughts of a lawyer when that business deal goes sour with resultant litigation.” *Rumac, Inc. v. Bottomley*, 143 Cal. App. 3d 810, 812, 192 Cal. Rptr. 104 (1983)



# Privilege v. Work Product

## PRIVILEGE

- Substantive evidentiary rule
- Protects confidential communications
- Once established, absolute protection
- Legal advice must be involved

## WORK PRODUCT

- Codified as procedural rule
- Protects documents prepared in anticipation of litigation
- Conditional protection
- No attorney involvement required



# Selected Issues: The Privilege in International Business Transactions

- Entity as the Client
- Agents and Corporate “Outsiders”
- Pre-Existing Documents
- Drafts
- Mixed Business & Legal Issues
- “Copying” Corporate Counsel





# Entity As The Client

- Strict “Control Group” test is out
- Subject Matter Test – minority alternative
- *Upjohn Co. v. United States*, 449 U.S. 383, 66 L. Ed. 2d 584, 101 S. Ct. 677 (1981) (in some circumstances the attorney-client privilege may extend to lower-level employees not in the “control group”)
- Privilege only applies to communications and not to underlying facts



# Entity As The Client (Continued)

*Wright v. Group Health Hosp.*, 103 Wn. 2d 192, 691 P.2d 564 (1984).

- Recognized *Upjohn's* flexible client-employee test
- Allowed *ex parte* contact of lower level employees under former DR 7-104(A)(1)
- *Ex parte* contact prohibited with employees with managing authority to speak for, and bind, the corporation [control group?]



# Entity Privilege Waiver

- Maintenance of confidentiality required?
- Waiver by disclosure
- Majority of courts use a “control group” type of test for waiver. Is this consistent?
- Former employees
- Tip: Use Non-Disclosure Agreement (NDA) in Washington



# Entity Privilege Issues

In the following issues arising in the corporate context, apply the principle: Is the communication's primary purpose (or severable portion) to obtain or provide legal advice?



# Agents and Corporate “Outsiders”

- Interpreters facilitate obtaining legal advice
- Agents and consultants must at least be “reasonably necessary” in the communication where legal assistance was sought
- Agents construed as “functional employees” despite independent contractor status
- *Cf. Advanced Technology Associates, Inc. v. Herley Industries, Inc.*, 1996 WL 711018 (E.D. Pa. 1996) (third party disclosure must be necessary)



# Pre-Existing Documents

- Was document created primarily for the purpose of obtaining legal advice?
- Source or type of information irrelevant
- Form of communication also irrelevant
- Documents created in the ordinary course of business



# Pre-Existing Documents (Cont.)

- Documents existing outside the attorney-client relationship do not become privileged by communicating them to the attorney
- Otherwise documents could become privileged by funneling them through attorney
- Pre-existing documents attached to privileged documents?



# Draft Documents

- Until disseminated to third-parties, all drafts of documents should be protected
- Why?
- Purpose of communication was for providing legal advice
- Attorney's notes and draft license agreements protected. *See Philips Electronics North America Corp. v. Universal Electronics Inc.*, 892 F. Supp. 108 (D. Del. 1995)





# Mixed Business & Legal Issues

- Privilege claimant bears burden of establishing all elements of privilege. *U.S. v. Martin*, 278 F.3d 988 (9th Cir. 2002)
- “Because in-house counsel may play a dual role of legal advisor and business advisor, the privilege will apply only if the communication’s primary purpose is to gain or provide legal assistance.” *Kramer v. Raymond Corp.*, 1992 WL 122856 \*2 (E.D. Pa. May 29, 1992)



# Mixed Business & Legal Issues

- A corporation is required to “clearly demonstrate that the communication was made for the express purpose of securing legal not business advice” when employees communicate with in-house counsel. *AAMCO Transmissions, Inc. v. Marino*, 1991 WL 193052 (E.D. Pa. 1991).”
- Communications with outside counsel presumptively legal assistance



# Resolving Mixed Business & Legal Issues

If the primary purpose of the communication is legal, should related business issues be protected?

“The scope of the privilege will turn on four factors:

- (1) the court’s perception of the primary purpose of the consultations;
- (2) a necessary connection between legal and non-legal services;
- (3) the degree to which the question communications can be identified as relating to particular aspects of the services; and
- (4) whether the context of the communication (the nature of the services and the persons to whom and around whom communications were made) allowed a reasonable expectation of confidentiality.”

Paul R. Rice, Attorney Client Privilege in the United States § 7.4 at 41-42.



# “Copying” Corporate Counsel

- E-mails have exaggerated claims of privilege by including counsel as recipients
- Privilege requires that the primary purpose of the communication (or severable portions) to obtain legal advice
- Waiver Issue – broad distribution list



# Hypotheticals – What Law

- American attorney in Tokyo advising U.S. company entering Japanese market.
- Any difference if the client is the wholly-owned Japanese subsidiary of a U.S. company?
- American attorney in Tokyo advising a Japanese company about acquiring a Malaysian company.



# Questions?

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