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WORKPLACE INVESTIGATIONS AND PRIVILEGE

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Table of Contents

Introduction

The need for companies to conduct investigations concerning employee conduct arises in a variety of different contexts, ranging from large, multi-year investigations of potential financial misconduct to investigations of individual complaints of workplace misbehavior, such as harassment. Lawyers may be called on to play a variety of roles in investigations, depending on the type of matter as well as the client's preferences. For large regulated firms with compliance departments, initial investigations of suspected financial misconduct may be conducted by compliance officers rather than lawyers. In other instances, lawyers may conduct investigations from beginning to end, including review of documents, interviews of witnesses and reporting to the client. Or, lawyers may be asked to guide and advise on investigations performed entirely by others, such as compliance personnel or Human Resource staff. Finally, lawyers may not be called on at all until the conclusion of an investigation, when they may be asked to review the results and advise the client accordingly.

Clients' use of the results of the investigation also may vary. When financial misconduct is involved, the client may well need to report to regulatory bodies. Investigation results frequently are used in litigation, such as providing the basis in a harassment claim for an affirmative defense of prompt and effective action. And, of course, often the investigation is used as a basis to discipline employees.

A critical issue associated with any investigation is the extent to which the work and advice of lawyers can remain protected by applicable privileges and protections, including the attorney-client privilege and the work product doctrine.

This paper begins with a brief review of the basics of the attorney-client privilege and the work product doctrine. It then examines how those protections have been applied in the context of internal investigations, focusing on ways in which one could preserve or lose the protections. Finally, a brief consideration of multi-jurisdictional aspects of privilege is presented, including a review of differences in how the U.S. and European jurisdictions treat communications with in-house counsel, as well as privilege issues arising in the context of international arbitration. [1]

I. Attorney-Client Privilege and Work Product Doctrine – The Basics

A. The Attorney-Client Privilege Generally

1. Source of the Privilege

Attorney-client privilege "is one of the oldest recognized privileges for confidential communications." *Swidler & Berlin* v. *United States*, 524 U.S. 399, 403, 118 S. Ct. 2081 (1998).

[1] This paper stems from a paper presented in January 2015 to a management attorneys' conference by Scott Dyer of Simpson Thacher & Bartlett LLP, John Gaal of Bond, Schoeneck & King PLLC and Theodore O. Rogers, Jr. of Sullivan & Cromwell LLP.

Privilege serves the function of promoting full and frank communications between attorneys and their clients, thereby encouraging observance of the law, and aids in the administration of justice. *Commodity Futures Trading Commission* v. *Weintraub*, 471 U.S. 343, 348 (1985).

There is a federal common law of privilege, which federal courts apply to federal claims. Federal Rule of Evidence 501. States typically have statutory privilege rules, which apply both to claims in state court as well as claims under state law in the federal court. The New York State statute defining attorney-client privilege is codified in CPLR § 4503, which provides:

> Unless the client waives the privilege, an attorney or his or her employee, or any person who obtains without the knowledge of the client evidence of a confidential communication made between the attorney or his or her employee and the client in the course of professional employment, shall not disclose, or be allowed to disclose such communication, nor shall the client be compelled to disclose such communication, in any action, disciplinary trial or hearing, or administrative action, proceeding or hearing conducted by or on behalf of any state, municipal or local government or by the legislature or any committee or body thereof.

State courts continue to look to common law for guiding principles. *Spectrum Systems International Corp.* v. *Chemical Bank*, 78 N.Y.2d 371 (1991).

2. Elements of the Privilege

The following factors are commonly used in determining whether the attorney-client privilege will protect both the client's communication and the corresponding legal advice:

1. a communication
2. between client and counsel
3. made in confidence
4. for the purpose of obtaining legal advice.

See, e.g., *United States* v. *International Board of Teamsters*, 119 F.3d 210, 214 (2d Cir. 1997).

a. Communication

A protected communication may be oral or written. *See* Edna Selan Epstein, "The Attorney-Client Privilege and the Work-Product Doctrine," p. 47 (4th ed. 2001). Even wordless action, such as nodding, may constitute a communication. *Id.* Communication not only includes statements made by the client to the attorney, but also legal advice given by the attorney that incorporates and discloses such information. *See In re Six Grand Jury Witnesses*, 979 F.2d 939 (2d Cir. 1992); *Rossi* v. *Blue Cross*, 73 N.Y.2d 588 (1989).

The privilege protects only the contents of a communication from compelled disclosure. It does not protect the facts underlying the communication. *Spectrum Systems Int'l Corp.*,

78 N.Y.2d 371 (N.Y. 1991); *J.P. Foley & Co.* v. *Vanderbilt*, 65 F.R.D. 523 (S.D.N.Y. 1974). Facts that are merely observed by the attorney and not directly conveyed by the client are not privileged. *See, e.g.*, *United States* v. *Pape*, 144 F.2d 778, 782 (2d Cir. 1944) (attorney required to testify as to the presence of his client in the state and as to the type of car the attorney had observed the client driving).

b. Between Client and Counsel

In *Upjohn Co.* v. *United States*, 449 U.S. 383 (1981), the Supreme Court found that communications made between company lawyers and non-management employees could be privileged. Following *Upjohn*, New York courts have repeatedly found that interviews of a corporation's employees by its attorneys as part of an internal investigation can be protected by the attorney-client privilege, and that the privilege extends to the attorneys' summaries and notes pertaining to the interviews. *See, e.g.*, *Gruss* v. *Zwirn*, 2001 U.S. Dist. LEXIS 79298, at *10–11 (S.D.N.Y. 2011); *Robinson* v. *Time Warner*, 187 F.R.D. 144, 146 (S.D.N.Y. 1999); *Cart* v. *Cornell Univ.*, 173 F.R.D. 92, 95 (S.D.N.Y. 1997).

Apart from the privilege issue, New York's Rules of Professional Conduct ("Rules") impose an independent ethical "disclaimer obligation" on lawyers. Rule 1.13 provides that an organization's lawyer must explain to an employee being interviewed that the lawyer represents the organization rather than the employee, when it appears that the interests of the two may differ.

The failure to provide a disclaimer of this sort to the individual is not only contrary to the Rules, but also could allow the individual to reasonably believe, in the right circumstances, that the lawyer represents both the company and the individual. That, in turn, can give rise to an arguable attorney-client relationship with the employee, resulting in a conflict, preventing counsel's continued representation of the corporation, if the corporation's and individual's interests are or become adverse. *See, e.g.*, *Catizone* v. *Wolff*, 71 F. Supp. 2d 365 (S.D.N.Y. 1999) (putative client's reasonable basis for believing attorney-client relationship exists is a factor in determining whether that relationship exists for conflict purposes); *Culver* v. *Merrill Lynch & Co.*, 1997 U.S. Dist. LEXIS 6041 (S.D.N.Y. 1997) (same). If the employee is deemed a client, the lawyer may be precluded from using or disclosing any information the individual provided to the benefit of the company. *See* Rule 1.6(a) (prohibiting a lawyer from both knowingly *revealing* confidential information and from knowingly using confidential information, either to the client's disadvantage or to the advantage of another).

Communications by Third Parties Acting at the Direction of an Attorney

The privilege may extend to communications between the client and a non-lawyer agent of an attorney if the communication is confidential and made for the purpose of obtaining legal advice from counsel. *United States* v. *Schwimmer*, 892 F.2d 237, 243 (2d Cir. 1989) (information provided to an accountant by a client at the behest of his attorney is privileged to the extent that it is imparted in connection with the legal representation); *United States* v. *Kovel*, 296 F.2d 918 (2d Cir. 1961) (communications between accountant and counsel retained to assist

counsel in providing legal advice is privileged); *Carter* v. *Cornell University*, 173 F.R.D. 92, 94 (S.D.N.Y. 1997) (finding privilege applicable to communications by employees to college dean where interviews in question were conducted "at the request of counsel and for the exclusive use of counsel in rendering legal representation"), *aff'd*, 159 F.3d 1345 (2d Cir. 1998).

However, using non-lawyers to "lead" an investigation can undermine the privilege claim, even if counsel may provide some advice along the way. *See United States* v. *ISS Marine Servs., Inc.*, 905 F. Supp. 2d 121 (D.D.C. 2012).

c. In Confidence

"A communication is made 'in confidence' if the client expressly so states or if the attorney reasonably so concludes." Edna Selan Epstein, "The Attorney-Client Privilege and the Work-Product Doctrine," p. 167 (4th ed. 2001).

Earlier this year, in *In re General Motors LLC Ignition Switch Litigation*, 14-MD-2543 (S.D.N.Y. January 15, 2015) ("*GM Ignition Switch Litigation*"), the court held that interview notes and memoranda of witness interviews by an outside law firm hired by a corporation to render a report giving legal advice regarding ignition switch defects continued to be protected by the attorney-client privilege notwithstanding that the corporation had publicly promised to make the report public. The court found that there was no indication that the corporation intended to make the communications reflected in the interview notes and memoranda public, that the privilege is intended to protect confidential communications and therefore the attorney-client privilege is applicable to those materials notwithstanding that the law firm's report was made public. Slip op. at 9-12.

d. For the Purpose of Obtaining Legal Advice

The client must be seeking predominantly legal advice or services. *In re County of Erie*, 473 F.3d 413 (2d Cir. 2007); *People* v. *Mitchell*, 58 N.Y.2d 368 (1983). "Attorneys frequently give to their clients business or other advice which, at least insofar as it can be separated from essentially professional legal services, give rise to no privilege whatsoever." *Colton* v. *United States*, 306 F.2d 633, 638 (2d Cir.), *cert. denied*, 371 U.S. 951, 83 S. Ct. 505 (1963). Attorney-client privilege "is 'triggered only' by a request for legal advice, not business advice." *In re Grand Jury Subpoena Duces Tecum Dated Sept. 15, 1983*, 731 F.2d 1032, 1037 (2d Cir. 1984).

The Second Circuit looks to whether the "predominant purpose" of the communication was to procure legal advice. *In re County of Erie*, 473 F.3d 413, 420, n.7 (2d Cir. 2007). "When an attorney is consulted in a capacity other than as a lawyer, as (for example) a policy advisor, media expert, business consultant, banker, referee or friend, that consultation is not privileged." *Id*. at 421-22 (citing *In re Lindsey*, 148 F.3d 1100, 1106 (D.C. Cir. 1998)). If a business decision can be viewed as both business and legal evaluations, "the business aspects of the decision are not protected simply because legal considerations are also involved." *Hardy* v. *New York News, Inc.*, 114 F.R.D. 633, 643-44 (S.D.N.Y. 1987); *see also Fine* v. *Facet Aerospace Products Co.*, 133 F.R.D. 439, 444 (S.D.N.Y. 1990) (privilege not extended to management advice). (The New

York Court of Appeals also looks to see whether the communication is "predominately" one or the other. *Rossi,* 73 N.Y.2d at 593.)

B. The Work Product Doctrine

1. Origin, Scope and Elements

In *Hickman* v. *Taylor*, 329 U.S. 495 (1947), the Supreme Court held that the adversarial system of justice is best served by recognizing a zone of attorney privacy for materials prepared in anticipation of litigation. The Court ruled that the work product doctrine protected only materials prepared in anticipation of litigation, and did so on qualified terms: upon a showing of good cause, an adversary could obtain discovery of documents containing factual work product, with substantially greater, if not absolute, protection being reserved for documents that reflect the attorney's legal theories, strategy, assessments and mental impressions ("opinion work product").

The modern federal work product doctrine is largely codified in Rule 26(b)(3) of the Federal Rules of Civil Procedure. The rule eliminates the distinction between attorney work product and non-attorney work product, and focuses the inquiry on the question whether the material was prepared in anticipation of litigation or for trial.

The New York State work product doctrine is codified in CPLR 3101(c) and (d) and divides work product into two categories. CPLR 3101(c) provides that "[t]he work product of an attorney shall not be obtainable." This section applies to the attorney's opinion work product and provides absolute protection against disclosure, broader than the federal protection. CPLR 3101(d)(2) applies to materials prepared in anticipation of litigation or for trial and provides for limited protection quite similar to that under the federal rules.

Rule 26(b)(3) does not limit work product protection to materials prepared by an attorney, but also extends it to materials prepared by a party or a party's representative, and provides an inclusive list of those whose work will be protected. The list is open-ended. *Garrett* v. *Metropolitan Life Insurance Company*, 1996 WL 325725, at *3 (S.D.N.Y. June 12, 1996) (because defendant gave the survey company directions on how to conduct the survey, the survey company acted as defendant's agent).

New York State courts can take a more restrictive view. In *Fewer* v. *GFI Group, Inc.*, 78 A.D.3d 412, 909 N.Y.S.2d 629 (1st Dep't 2010), the Appellate Division reversed the lower court's decision denying defendants' motion to compel the production of a joint-defense agreement. In addition to finding that attorney-client privilege did not apply to the document, the court held that the work product doctrine could not apply either because there was no indication that the agreement was prepared by counsel acting in that capacity and the agreement contained only standard language that does not reflect a lawyer's analysis or skills.

A party seeking to protect discovery of its trial preparation materials as work product must satisfy three requirements under Rule 26(b)(3):

(1) the material must be a document or other tangible thing; underlying facts are not protected; *see Kenford Co.* v. *County of Erie*, 390 N.Y.S.2d 715 (4th Dep't 1977).

- Notes, papers, written witness statements, recorded witness statements, test results, photographs, etc. Business records which contain an attorney's marginal notes may qualify for protection. *Rohm & Haas Co.* v. *Brotech Corp.*, 815 F. Supp. 793 (D. Del. 1993); *People* v. *Kozlowski*, 11 N.Y.3d 223, 869 N.Y.S.2d 848 (Ct. App. 2008) (interviews of corporate directors qualify as trial preparation materials and are eligible for qualified protection under CPLR 3101(d)).

- If deposition or interrogatory questions seek attorney thought processes, work product protection may be available. *United States* v. *Walker*, 910 F. Supp. 861 (N.D.N.Y. 1995) (work product protects testimony from an expert who prepared report for counsel as aid in trial preparation).

- Attorney's selection of discoverable documents may qualify for protection. *In re Grand Jury Subpoenas*, 318 F.3d 379 (2d Cir. 2003) (party asserting that an attorney's document selection should be protected must show by objective proof that attorney thought processes would be revealed by disclosure).

(2) the material must have been prepared in anticipation of litigation or for trial; and

(3) the material must have been prepared by or for a party or its representative.

Varuzza v. *Bulk Materials, Inc.*, 169 F.R.D. 254, 257 (N.D.N.Y. 1996); *Zdziebloski* v. *the Town of East Greenbush, New York*, 96-CV-1040 (N.D.N.Y. Dec. 4, 1997) slip op. at 8. *But see Fewer* v. *GFI Group, Inc.*, 78 A.D.3d 412, 909 N.Y.S.2d 629 (1st Dept. 2010) (joint defense agreement held not to be work product).

2. The "Prepared in Anticipation of Litigation" Factor

In the Second Circuit, work product protection may be available for documents prepared in anticipation of litigation, even if they were not prepared primarily or exclusively for litigation purposes. In *U.S.* v. *Adlman*, 134 F.3d 1194 (2d Cir. 1998), counsel prepared an analysis of litigation that was expected in the event that the client's proposed business transaction was completed. Management intended to use the litigation analysis to determine whether to go forward with the transaction. There was no specific case at hand, and the Second Circuit stated that the proper test is whether "in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation." 134 F.3d at 1202. In that case, it was concluded that the attorney would not have prepared this analysis without the looming threat of possible litigation in the event that the proposed transaction were consummated. The court rejected a requirement that the "primary purpose" of the material must be to assist in litigation, so long as it was produced "because" of the litigation. If, however, documents "would have been created in essentially

similar form irrespective of litigation," it cannot be said that they meet the "because of" standard. *See also U.S.* v. *Richey, et al.*, 2011 U.S. App. LEXIS 1170 (9th Cir. 2011).

One question that often is litigated is at what time something has been created "in anticipation of litigation." *See Occidental Chem.* v. *OHM Remediation Servs. Corp.*, 175 F.R.D. 431 (W.D.N.Y. 1997) (litigation must be "imminent"); *Stix Products, Inc.* v. *United Merchants & Mfr.*, 47 F.R.D. 334 (S.D.N.Y. 1969) (prospect of litigation must be "identifiable"); *In re Special Sect. 1978 Grand Jury (II)*, 640 F.2d 49 (7th Cir. 1980) (a remote prospect of future litigation is not sufficient); *Detection Sys. Inc.* v. *Pittway Corp.*, 96 F.R.D. 152 (W.D.N.Y. 1982) (more than the mere possibility of litigation must be evident); *Mahoney* v. *Staffa*, 184 A.D.2d 886 (3d Dep't 1992) (Appellate Court affirmed decision to order production of materials related to an investigation conducted by nonparty Temporary Commission of Investigation of the State of New York because the Commission provided no evidence that any litigation was contemplated during the course of the investigation).

Simply because an attorney participated in and supervised an investigation does not transform investigative documents and reports into work product, if evidence supports the conclusion that the report would have been prepared in similar form even if there was no litigation threat. *United States Fidelity & Guaranty Co.* v. *Braspetro Oil Service Co.*, 2000 WL 744369 (S.D.N.Y. 2000); *Winans* v. *Starbucks Corp.*, 08-civ-3734 (S.D.N.Y. December 16, 2010) (emails and communications between assistant store managers and outside counsel and emails regarding the selection of assistant managers (and potential class members) to oppose class certification are immune from discovery under the work product doctrine).

Ordinary business records do not constitute work product, regardless of how central they may be to ultimate litigation. *See Harris* v. *Provident Life & Accident Insurance Company*, 198 F.R.D. 26 (N.D.N.Y. 2000) (attorney's affidavit contained insufficient objective facts to overcome circumstantial evidence suggesting that plaintiff's pre-suit medical evaluations were obtained for treatment purposes rather than in anticipation of litigation); *Adlman*, 134 F.3d at 202; *Hardy* v. *New York News, Inc.*, 114 F.R.D. 633 (S.D.N.Y. 1987) (documents prepared to implement an affirmative action plan are not prepared in anticipation of litigation but to fulfill a management function; *Calabro* v. *Stone*, 225 F.R.D. 96 (E.D.N.Y. 2004) (accident reports and statements not in anticipation of litigation but in ordinary course of business).

The Work Product Doctrine applies to materials prepared in connection with or in anticipation of most adversarial proceedings, including arbitrations and administrative proceedings such as NLRB hearings. *Samuels* v. *Mitchell*, 155 F.R.D. 195 (N.D. Cal. 1994); *Kent Corp.* v. *NLRB*, 530 F.2d 612 (5th Cir.), *cert. denied*, 429 U.S. 920 (1976) (NLRB investigatory reports completed by NLRB in preparation for agency determination as to whether unfair labor practice charge justified complaint were prepared in anticipation of litigation).

II. Applying Attorney-Client Privilege and Work Product Doctrine to Internal Investigations

A. Protecting Privilege at the Outset

1. Giving Notice of the Legal Nature of the Investigation

To preserve privilege, it is important expressly to inform those being interviewed of the privileged purpose of the communication. In *Cruz* v. *Coach Stores Inc.*, an employer's failure to make employees aware that they were being questioned so that the corporation could obtain legal advice rendered the attorney-client privilege inapplicable. 196 F.R.D. 228, 231 (S.D.N.Y. 2000). Similarly, in *Deel* v. *Bank of Am.*, the court found questionnaires related to an FLSA audit were not protected by the attorney-client privilege because employees who completed the questionnaires were not sufficiently aware that the questionnaires were being completed for the purpose of obtaining legal advice, rather it stated its purpose was a routine check and to reward its employees. 227 F.R.D. 456, 461 (W.D. Va. 2005); *cf. Martin Lewis* v. *Wells Fargo & Co.*, 266 F.R.D. 433, 444 (N.D. Cal. 2010) ("[M]emoranda from Wells Fargo's in-house counsel to individuals in the Compensation Group and Human Resources formally requested information relating to the job duties of employees holding specific positions. These documents are clearly marked as privileged and further explain that all information collected is subject to privilege.").

Last year, a federal district court's ruling requiring disclosure of internal investigation reports on the ground that the report was not sufficiently motivated by the desire for legal advice was reversed by the circuit court, giving some solace to companies seeking to protect such documents. *In re Kellogg Brown & Root, Inc.*, 756 F.3d 754 (D.C. Cir. 2014) ("*Kellogg*") (referencing *U.S. ex rel. Barko* v. *Halliburton Co., et al.*, 05-CV-1276, 2014 WL 1016784 (D.D.C. March 6, 2014) ("*Barko*")). The district court had held that the attorney-client privilege and work product doctrine did not apply to an internal investigation by Kellogg Brown & Root ("KBR") after applying a test requiring a showing that "the communication would not have been made 'but for' the fact that legal advice was sought." *Barko*, 2014 WL 1016784, at *2. The court took the position that the internal investigation was "undertaken pursuant to regulatory law and corporate policy rather than for the purpose of obtaining legal advice." *Id.* at *3.

The D.C. Court of Appeals reversed, holding KBR's privilege assertions to be "indistinguishable" from the attorney-client privilege assertion in *Upjohn*. Like *Upjohn*, KBR conducted its investigation "under the auspices of KBR's in-house legal department, acting in its legal capacity." *Kellogg*, 756 F.3d at 757 (citing *Upjohn Co.* v. *United States*, 449 U.S. 383 (1981)). The D.C. Circuit similarly rejected the district court's application of a "but for" test, finding that the test is "not appropriate for attorney-client privilege analysis," *id.* at 759, and that "[s]o long as obtaining or providing legal advice was one of the significant purposes of the internal investigation, the attorney-client privilege applies, even if there were also other purposes for the investigation and even if the investigation was mandated by regulation rather than simply an exercise of company discretion." *Id.* at 758-59.

2. Maintaining a Record of the Legal Nature of the Investigation

a. Legal Advice as the "Predominant Purpose" of an Investigation

As noted, obtaining legal advice must be the predominant purpose of a communication protected by the attorney-client privilege. *Favors* v. *Cuomo*, 285 F.R.D. 187, 198 (E.D.N.Y. 2012). Similar principles apply as to work product protection. For example, one court held that a company's investigation of the plaintiff's discrimination claims, conducted before the plaintiff filed an EEOC charge, was not privileged under the work product doctrine because the investigation was done as much for reasons of improving employee relations as for preparing for anticipated litigation. *Miller* v. *Federal Express Corp.*, 186 F.R.D. 376 (W.D. Tenn. 1999)

One decision that has caused substantial concern among management-side employment lawyers is last year's ruling in the Eastern District of New York, in *Koumoulis* v. *Indep. Fin. Mktg. Grp., Inc.*, 295 F.R.D. 28, 44-45 (E.D.N.Y. 2013), *aff'd*, 29 F. Supp. 3d 142 (E.D.N.Y. 2014). The court ruled that communications between outside counsel and human resources professionals concerning an employment situation were not privileged and ordered production of documents created by the outside counsel. The materials in question included instructions from outside counsel on conducting the internal investigations. The court, after review of the materials, held that they were not protected by the attorney-client privilege because the predominant purpose of the communications related to business rather than legal advice.

Specifically, the court found that the outside counsel's role was not just as a consultant primarily on legal issues, but that she was effectively an adjunct member of the human resources team due to her involvement in, *inter alia*, supervising and directing internal investigations, instructing team members on what actions should be taken (including when to take those actions and who should perform them), and drafting scripts for conversations with the plaintiff about his complaints. *Id.* The outside counsel tightly controlled the activities of the human resources department, instructing them on precise questions to ask during interviews and statements to make during meetings, including on routine human resources topics such as improving job performance, customer interaction and communication skills. *Id.* On these facts, the court determined that the outside counsel's communications were predominantly human resources/business-related as opposed to legal advice, and therefore should not be afforded the protection of the attorney-client privilege. *Id.*

Although *Koumoulis* is a decision by one district judge in the Eastern District of New York and does not have broad precedential effect, some counsel concerned by the ruling have begun to take care to underscore, in their written communications with client personnel advising on employment investigations or actions, that their advice is being given to reflect their underlying legal advice. Attorneys involved in workplace investigations, both in-house and outside counsel, should consider documenting in the course of their work the legal purpose of attorney activities performed in connection with investigations.

b. Use of Non-Lawyers in an Investigation

Another risk to privilege, in addition to the risk that attorneys' work will be considered not predominantly legal advice, is presented by the use of non-lawyers in investigations.

"Investigatory reports and materials are not protected by the attorney-client privilege or the work-product doctrine merely because they are provided to, or prepared by, counsel." *OneBeacon Ins. Co.* v. *Forman Int'l, Ltd*., No. 04 Civ. 2271 (RWS), 2006 WL 3771010, at *5-6 (S.D.N.Y. Dec. 15, 2006) (insurance claim investigation documents were not privileged because they were created in the ordinary course of business and not in anticipation of litigation as required to be protected by the work product doctrine).

Earlier this year a judge of the Southern District of New York ruled that documents gathered during the course of an internal investigation by non-lawyers were not privileged. *Wultz* v. *Bank of China*, 2015 WL 362667 (S.D.N.Y. Jan. 2015). The documents were gathered as part of an internal investigation conducted for the Bank of China. The court held that the Bank did not meet its burden of showing that the non-lawyer collectors' gathering of the information in question was conducted at the direction of an attorney "in order to allow the attorney to render legal advice." *Id.* at *7. The court stated that "we are unaware of any case law suggesting that a person's collection of information is protected merely because the person harbors a plan to provide the information later to an attorney—particularly where there is no proof that the attorney sought to have the individual collect the information at issue." *Id.* at 6.

Another court found, in a case in which a non-lawyer consultant hired lawyers to conduct interviews and assist in an investigation, that the attorneys' draft reports were not protected by privilege. The court held that the drafts were not created primarily to provide legal advice, but "for the purpose of generating the Report, which indisputably did not provide legal advice" because the company's purpose was to reassure the public by announcing the investigation in advance and completing and disseminating the Report. *Allied Irish Banks* v. *Bank of Am., N.A.*, 240 F.R.D. 96, 104, 107-08 (S.D.N.Y. 2007). *See also In re 3 Com Corp. Sec. Litig.*, No. 89 Civ. 20480 (WAI) (PVT), 1992 WL 456813, at *2 (N.D. Cal. Dec. 10, 1992) (where attorney's edits to draft document were "related to factual information, not legal advice," the drafts were not protected by the attorney-client privilege); *but see In re Grand Jury Subpoena Duces Tecum Dated Sept. 15, 1983*, 731 F.2d 1032, 1037 (2d Cir. 1984) (draft documents that reflected "confidential requests for legal advice" were protected by the attorney-client privilege).

In the realm of work product, a party's decision to retain outside counsel to assist an internal investigation may suggest that the party anticipates litigation, but that party must still establish that outside counsel's work product was because of the prospect of litigation in order to claim work-product privilege. *U.S. Fid. & Guar. Co.* v. *Braspetro Oil Servs. Co.*, No. 97 Civ. 6124 (JGK) (THK), 2000 WL 744369, at *9-10 (S.D.N.Y. June 8, 2000). In cases involving attorney-assisted investigations, the court will make "a fact-specific inquiry" to determine if and when an investigation goes from being within the ordinary course of business to being because of litigation. *Id.* (finding no work-product protection where outside counsel's insurance claims investigation "would have been done for business purposes, regardless of the possibility of

litigation."). In *Koumoulis* v. *Indep. Fin. Mktg. Grp., Inc.*, the court found certain documents protected by privilege because they provided "legal advice or legal impressions" of outside counsel concerning anticipated litigation, but other documents were not privileged or protected as work product because no evidence was offered that the documents were created because of litigation "rather than simply in the course of a human resources investigation." 295 F.R.D. 28, 46 (E.D.N.Y. 2013), *aff'd*, 10-CV-0887 PKC VMS, 2014 WL 223173 (E.D.N.Y. Jan. 21, 2014); *see also Welland* v. *Trainer*, 2001 WL 1154666, at *2 (S.D.N.Y. Oct. 1, 2001) (finding certain communications between investigator, who conducted the internal investigation, and in-house and outside counsel, are protected by attorney-client privilege because the investigator received legal advice from counsel under circumstances in which the employee under investigation was an executive and litigation was expected if the employee were terminated.)

Draft versions of reports generated by non-lawyers in employment-related investigations may also be discoverable. *Koumoulis* v. *Indep. Fin. Mktg. Grp., Inc.*, 295 F.R.D. 28, 47 (E.D.N.Y. 2013), *aff'd*, 10-CV-0887 PKC VMS, 2014 WL 223173 (E.D.N.Y. Jan. 21, 2014) (finding drafts were discoverable because they were authored by a non-attorney and in the email to outside counsel, a request for the attorney to "review/edit[]" only applied to one of four attachments, and that request itself was not a request for legal advice in the context of the email exchange) (quoting *Austin* v. *City & Cnty. of Denver ex rel. Bd. of Water Comm'rs*, No. 05 Civ. 01313 (PSF) (CBS), 2006 WL 1409543, at *8 (D. Colo. May 19, 2006) (requiring production of human resources consultant's draft investigatory reports)); *see also Angelone* v. *Xerox Corp.*, No. 09 Civ. 6019 (CJS) (JWF), 2011 WL 4473534, at *2-3 (W.D.N.Y. Sept. 26, 2011), *reconsideration denied*, No. 09 Civ. 6019 (CJS) (JWF), 2012 WL 537492 (W.D.N.Y. Feb. 17, 2012) (all documents prepared or reviewed while creating the investigatory report were discoverable).

B. Protection of Materials Created During the Investigation

In *Chen-Oster* v. *Goldman, Sachs & Co.*, 293 F.R.D. 547 (S.D.N.Y. 2013), the court held that a data field within the defendant's human resources database regarding employee compensation that was created at the direction of in-house counsel for the purpose of providing legal advice was protected by the attorney-client privilege. *Id.* at 557. The court noted that the data field was created at the request of in-house counsel in order to respond to inquiries regarding "legal risks that might be posed by the tentative compensation decisions that the managers within [human resources] had proposed." *Id.* at 552. The court confirmed that it did not matter that the information was communicated to in-house counsel in a database format, because a communication is defined as an exchange of information through a "common system of symbols, signs, or behavior." *Id.* at 554 (citations and quotations omitted).

Interviews conducted by outside counsel to investigate wrongdoing and potential illegal conduct by a corporation's employees are routinely protected by attorney-client privilege. *In re Grand Jury Subpoena*, 599 F.2d 504, 510-11 (2d Cir. 1979) (finding that first investigation, "conducted primarily by non-lawyer senior officials" was not privileged, but second investigation, conducted by counsel, was privileged). Notes taken by an investigator reflecting communications with witnesses during an internal investigation may in certain situations be

protected by attorney-client privilege. *Gruss* v. *Zwirn*, 276 F.R.D. 115, 125 (S.D.N.Y. 2011) (finding "notes and summaries of interviews by the law firms in the course of their internal investigations [into possible accounting fraud and securities violations] are protected by the attorney-client privilege"). *See also Carter* v. *Cornell University*, 173 F.R.D. 92 (S.D.N.Y. 1997) (holding that interviews conducted by defendant university's administrative secretary, at the request of defendant's attorney and for the attorney's exclusive use in rendering legal advice, were privileged); *Allied Irish Banks* v. *Bank of America N.A.*, 240 F.R.D. 96, 102 (S.D.N.Y. 2007) (finding that factual matters contained in interview notes from interviews not conducted by attorneys, in the course of an internal investigation into allegations an employee had created false trade records in order to disguise losses incurred on legitimate trades, were not protected by the work product doctrine); *Redvanly* v. *NYNEX Mobile Communications Co.*, 152 F.R.D. 460 (S.D.N.Y. 1993) (holding in an employment discrimination suit that in-house counsel's transcription of a conversation with the plaintiff and others, after which the plaintiff was ultimately terminated, was not protected because, among other reasons, at the time the notes were taken, the prospect of litigation was remote.)

C. Losing the Benefit of the Attorney-Client Privilege

1. Internal Disclosure

Overly broad disclosure within the corporation can trigger a waiver if the individual to whom disclosure was made did not have a "need to know" the contents of otherwise privileged information. *See Scholtisek* v. *Eldre Corp.*, 441 F. Supp. 2d 459 (W.D.N.Y. 2006) ("need to know" turns on "(1) the role in the corporation of the employee or agent who receives the communication; and (2) the nature of the communication, that is, whether it necessarily incorporates legal advice"); *see also Diversified Indus. Inc.* v. *Meredith*, 572 F.2d 596 (8th Cir. 1978).

2. Disclosure to Third Parties

a. Inadvertent

Disclosure of an otherwise privileged communication to a third party can constitute waiver, even if inadvertent. *In re Victor*, 422 F. Supp. 475 (S.D.N.Y. 1976) (papers left in a public hallway for delivery to an attorney lost their privilege). *Parnes* v. *Parnes*, *supra*. (Email account accessible by party's children.)

A balancing test generally applies in determining whether inadvertent disclosure of privileged information during discovery destroys the privilege. *Hydroflow, Inc.* v. *Enidine, Inc.*, 145 F.R.D. 626 (W.D.N.Y. 1993):

- the reasonableness of the precautions taken to prevent inadvertent disclosure in light of the extent of document production;
- the number of inadvertent disclosures;

- the extent of the disclosures;
- the promptness of measures taken to remedy the problem; and
- whether justice is served by relieving the party of its error.

b. Federal Rule of Evidence 502

FRE 502 was amended in 2011 to define the scope of subject matter waiver and provide certain protections in the event of inadvertent production of privileged materials, as well as to give leeway to courts and parties to enter into agreements preserving the privilege notwithstanding production during discovery.

FRE 502(a) limits the scope of subject matter waiver, providing that when a disclosure waiving attorney-client privilege or work product protection is made in a federal proceeding or to a federal agency, the waiver will only extend to other undisclosed privileged information if (1) the waiver is intentional; (2) the disclosed and undisclosed communications or information concern the same subject matter; and (3) they ought in fairness to be considered together.

FRE 502(b) provides protections in the event of inadvertent disclosure, providing that inadvertent disclosure will not operate as a waiver in a federal or state proceeding if (1) the disclosure is inadvertent; (2) the holder of the privilege or protection took reasonable steps to prevent disclosure; and (3) the holder promptly took reasonable steps to rectify the error.

FRE 502(d) and (e) address court orders and party agreements limiting the scope of waiver. FRE 502(d) states that a federal court may order that privilege or protection is not waived by disclosure in the litigation, in which event the disclosure is also not a waiver in any other federal or state proceeding. One of the effects of this rule is to allow parties who have obtained such a court order and who are faced with massive electronic discovery to have some comfort that privilege will be maintained. FRE 502(e) provides that an agreement between parties on the effect of disclosure of privileged or protected materials will be binding only on the parties and not others, unless the court enters an order.

New York State courts appear to employ an "intent requirement" in a finding of waiver that is inconsistent with federal law. *See Kraus* v. *Brandstetter,* 185 A.D.2d 300 (2d Dep't 1992) (holding "[t]he fundamental questions in assessing whether the attorney-client privilege is waived are whether the client intended to retain the confidentiality of the privileged materials and whether the client took reasonable steps to prevent disclosure," and finding that the privilege was not waived because the client did not intentionally place the attorney's report outside the group involved in the internal investigation and it had a reasonable expectation that the information would remain confidential); *Manufacturers and Traders Trust Co.* v. *Servotronics, Inc.,* 132 A.D.2d 392 (4th Dep't 1987) ("Intent must be the primary component of any waiver test. The Supreme Court has defined waiver as an 'intentional relinquishment . . . of a known right.'"). In *Servotronics*, however, the court does not appear to require a finding of subjective intent on the part of the client to waive the attorney-client privilege. Rather, a finding of intent appears to be secondary, with the court reasoning that the client intends the reasonable result of

his actions. The court held that an implied intention to waive is found from the context of the disclosure stating, "[r]ather than requiring a court to evaluate a client's bald claim of intent, however, the client should be required to demonstrate his intent by objective evidence."

c. Intentional Disclosure to Third Parties (Consultants)

Whether disclosure to outside consultants will constitute a waiver will depend on the surrounding facts and circumstances, including the purpose for the disclosure and the involvement of counsel with that third party. *See NXIVM Corporation* v. *O'Hara*, *supra* (disclosure to PR firm constituted waiver where communication between counsel and PR firm was intended to assist counsel in its role).

Examples of cases involving consultants include:

- *Chevron Corp.* v. *Pennzoil Co.*, 974 F.2d 1156 (9th Cir. 1992) (disclosure to outside auditors constitutes waiver).

- *Calvin Klein Trademark Trust* v. *Wachner*, 198 F.R.D. 53, 55 (S.D.N.Y. 2000) (upholding privilege, explaining that PR consultants need to understand legal strategies to provide PR advice and PR advice influences attorneys' strategic and tactical legal decisions).

- *Calvin Klein Trademark Trust* v. *Wachner*, 124 F. Supp. 2d. 207, 209 (S.D.N.Y. 2000) (protecting documents shared with an external investment banker to help the attorney draft disclosure documents because the investment banker interpreted for the client and the law firm what a reasonable business person would consider "material" for disclosure purposes).

- *In re Grand Jury Subpoenas Dated March 24, 2003 Directed to (A) Grand Jury Witness Firm and (B) Grand Jury Witness*, 265 F. Supp. 2d 321, 326 (S.D.N.Y. 2003) (requiring that consultants "have a close nexus to the attorney's role in advocating the client's cause before a court or other decision-making body" and protecting communication with external PR consultants because attorneys "were not skilled at public relations" and "needed outside help" to provide legal advice).

- *In re G-I Holdings Inc.*, 218 F.R.D. 428, 434 (D.N.J. 2003) (limiting application of the attorney-client privilege to communications between an accountant and a client to situations in which the accountant functions as a "translator" between the client and the attorney.).

- *In re Copper Market Antitrust Litig*., 200 F.R.D. 213 (S.D.N.Y. 2001) (discussions with "crisis management" team covered by privilege where firm was "essentially incorporated into [the Company's] staff to perform a Corporate function that was necessary in the context of" litigation).

- *Sieger* v. *Zak*, 60 A.D.3d 661 (2nd Dep't 2014) (communications between CEO, company lawyers and business consultant retained by company were not privileged where communications were made by CEO in his personal capacity).

- *Agovino* v. *Taco Bell 5083*, 225 A.D.2d 569 (2nd Dep't 1996) ("statements . . . given to a liability insurer's claims department as part of an internal investigation or for internal business purposes are not immune from discovery as material prepared solely in anticipation of litigation" and therefore reports containing interviews with employees conducted by company's insurer were not protected work product, as defendants did not meet burden of showing they were prepared in anticipation of litigation).

d. Disclosure to a Governmental Agency

Voluntary disclosure of privileged information to a governmental agency may also waive the privilege. *See In re Kidder Peabody Securities Litigation*, 168 F.R.D. 459, 470 (S.D.N.Y. 1996). In *Kidder*, the plaintiffs brought an action against corporate defendants after discovering that the individual defendant engaged in a fraud scheme. Plaintiffs sought discovery of certain summaries, reports and interviews. One of the documents was submitted to the SEC prior to the commencement of the action. The court held that the "submission of the draft report to the SEC at a time when the Commission was considering the question of who was responsible for the scandal suffices to waive any privilege for the underlying documents." *Id.* at 472. *See also United States* v. *MIT*, 129 F.3d 681 (1st Cir. 1997); *SEC* v. *Vitesse Semi-Conductor Corp.*, 771 F. Supp. 2d 310 (S.D.N.Y. 2011); *In re Initial Public Offering Securities Litigation*, 249 F.R.D. 457 (S.D.N.Y. 2008); *but see Diversified Industries* v. *Meredith*, 572 F.2d 596 (8th Cir. 1977). *See also McKesson HBOC, Inc.* v. *Superior Court (Oregon)*, Cal. Ct. App. 1st Dist., No. A103055 (2004) (sharing internal investigation report with SEC waives attorney-client and work product privilege as to litigation adversaries); *In re Columbia/HCA Healthcare Corp.*, 2002 U.S. App. LEXIS 10969 (6th Cir. 2002) (disclosure of privileged information in course of settlement with U.S. Department of Justice, despite clear non-waiver language, constitutes waiver of attorney-client privilege).

The "Selective Waiver" Limitation on Government Disclosure Waiver

The doctrine of "selective waiver" permits the privilege holder to produce privileged material to the government, while preserving privilege claims as to third-party litigants. *See Diversified Indus., Inc.* v. *Meredith*, 572 F.2d 596 (8th Cir. 1978); *Police and Fire Retirement System of Detroit* v. *Golde*, 2010 U.S. Dist. LEXIS 23196, at *5 (S.D.N.Y. 2010). Although the Second Circuit has rejected the application of "selective waiver" where there is the existence of an *adversarial* relationship between the disclosing party and the government agency, *In re Steinhardt*, 9 F.3d 230, 234 (2d Cir. 1993), the Court has declined to adopt a *per se* rule against selective waiver and has held that its applicability should be assessed on a case-by-case basis, recognizing that it may be appropriate where the disclosing party and the governmental agency have a confidentiality agreement in place. *Id.* at 236. A number of New York courts have applied "selective waiver" to preserve the privilege, relying upon the existence of confidentiality

agreements. *See, e.g.*, *Police & Fire Retirement System*, 2010 U.S. Dist. LEXIS 23196, at *8; *Enron Corp.* v. *Borget*, 1990 U.S. Dist. LEXIS 12471 (S.D.N.Y. 1990); *Byrnes* v. *IDS Realty Trust*, 85 F.R.D. 679 (S.D.N.Y. 1980); *In re Natural Gas Commodities, Litig.*, 232 F.R.D. 208 (S.D.N.Y. 2005); *In Leslie Fay Cos., Inc. Sec. Litig*., 161 F.R.D. 274 (S.D.N.Y. 1995). For example, in *Police & Fire Retirement System*, the Court applied selective waiver, noting that the disclosing party had not "undermined the confidentiality of the Privileged Materials through repeated voluntary disclosures to adversarial parties," as was the case in *IPO*. *Id.* at *7. The Court recognized the disclosing party's "expectation of confidentiality" and that "violating a cooperating party's confidentiality agreement" undermines the "strong public interest in encouraging disclosure and cooperation with law enforcement agencies." *Id.* But more recent authority gives a very limited reading to the viability of selective waiver and specifically finds that where the confidentiality agreement gives the government wide discretion to disclose the information, even if selective waiver is recognized, it will not apply. *Gruss* v. *Zwirn*, 2013 U.S. Dist. LEXIS 100012 (S.D.N.Y. 2013).

A confidentiality agreement with a government agency does not "necessarily preserve" the disclosing party's right to assert the privilege against subsequent litigants. *Police & Fire Retirement System*, 2010 U.S. Dist. LEXIS 23196, at *6. For example, in *In re IPO*, despite the existence of a confidentiality agreement between the government and the party asserting the work product doctrine, the Court held there was no selective waiver because the disclosing party had made "repeated voluntary disclosures to adversarial parties," which undermined the purpose of the privilege (that is, keeping such information *away* from your adversary). *Id.* at 466; *see also Vitesse Semi-Conductor Corp.*, 771 F. Supp. 2d, at 314 (recognizing some protection for work product disclosed to government agency pursuant to a confidentiality agreement (*i.e.*, selective waiver), the Court nonetheless permitted disclosure on grounds of equal discovery, substantial need and the plain language of the non-waiver agreement, which allowed the SEC to disclose the information if necessary to further discharge its duties or if required to do so by law).

Selective waiver is disfavored by most federal circuit courts. *See In re Pac. Pictures Corp*., 679 F.3d 1121 (9th Cir. 2012) (asserting that the doctrine has been "rejected by every other circuit to consider the issue since" *Diversified Industries*).

Disclosure to the Consumer Financial Protection Bureau ("CFPB"), federal banking agencies, state banking supervisors or foreign banking authorities is statutorily protected from privilege waiver. The Financial Services Regulatory Relief Act of 2006 amended the Federal Deposit Insurance Act, 12 U.S.C. § 1828(x), to provide that information provided to a federal banking agency, state banking supervisor or foreign banking authority "for any purpose in the course of any supervisory or regulatory process of such agency," shall not be construed as a waiver of "any privilege" that person may claim with respect to the information as to any third party. The section was later amended to add the CFPB. It is unclear whether this provision would be applied to bar waiver claims as to information submitted to a bank authority in the context of the authority's enforcement role, as opposed to its supervisory or regulatory role.

e. The Common Interest Privilege as an Exception to Waiver

The common interest privilege is an exception to the rule that the presence of a third party at a communication between counsel and client constitutes a waiver of the privilege. As described by the First Department in *Ambac Assr. Corp.* v. *Countrywide Home Loans*, 2014 N.Y. Slip Op. 08510 (1st Dep't 2014), "a third party may be present at the communication between an attorney and a client without destroying the privilege if the communication is for the purpose of furthering a nearly identical legal interest shared by the client and the third party." This privilege has been recognized by federal courts as well. *See In re Teleglobe Commns. Corp.*, 493 F.3d 345 (3d Cir. 2007); *United States* v. *BDO Seidman, LLP*, 492 F.3d 806 (7th Cir. 2007); *United States* v. *Schwimmer*, 892 F.2d 237 (2d Cir. 1989).

Federal courts have generally found the common interest privilege available even in the absence of actual or threatened litigation, and even in a purely transactional context. *Id.*; *see also* Restatement (Third) of the Law Governing Lawyers § 76 (2000). In *Ambac*, the First Department adopted this same approach, despite prior New York cases (cited therein) requiring pending or reasonably anticipated litigation for the common-interest privilege to apply.

3. Placing Privileged Information in Issue

Generally, the attorney-client privilege is waived if the "holder of the privilege voluntarily discloses or consents to disclosure of any significant part of the matter or communication." *In re Kidder Peabody Securities Litigation*, 168 F.R.D. 459 (S.D.N.Y. 1996). In *Von Bulow* v. *Von Bulow*, 828 F.2d 94 (2d Cir. 1987), the court noted that attorney-client privilege is waived when a privilege holder makes assertions in a litigation context that call for the revelation of privileged communications, including when a defendant raises an "advice of counsel" defense. *Id.* In addition, waiver may be found even where the privilege holder does not attempt to make direct use of a privileged communication: "he may waive the privilege if he makes factual assertions the truth of which can only be assessed by examination of the privileged communication." *In re Kidder Peabody Securities Litigation*, 168 F.R.D. 459, 470 (S.D.N.Y. 1996). The *Kidder* court listed the governing principles used for determining whether waiver has occurred:

> (1) assertion of the privilege was a result of some affirmative act, such as filing suit, by the asserting party;
>
> (2) through this affirmative act, the asserting party put the protected information at issue by making it relevant to the case; and
>
> (3) application of the privilege would have denied the opposing party access to information vital to its defense. Thus, where these three conditions exist, a court should find that the party asserting a privilege has impliedly waived it through his own affirmative conduct.

In *State Chartered Bank* v. *Ayala Int'l Holdings*, 111 F.R.D. 76 (S.D.N.Y. 1986), the court examined three different factors to determine whether there was an implied waiver of the privilege: (1) was the very subject of the privileged communication relevant to the issue to be litigated; (2) was there a good faith basis for believing such essential privileged communications existed; and (3) was there no other source of direct proof on the issue.

Courts have found that raising an affirmative defense is sufficient to constitute a waiver of the attorney-client privilege. *See Village Board of Village* v. *Rattner*, 130 A.D.2d 654 (2d Dep't 1987). In *Rattner*, the plaintiff sought to justify its actions based on its good-faith reliance on the advice of counsel. The court held that, because the plaintiff put its otherwise privileged communications in issue, the privilege was waived. *See also In re County of Erie*, 473 F.3d 413 (2d Cir. 2007) (indicating "at issue" waiver may occur where a party affirmatively asserts a claim or defense based on the party's good faith or state of mind).

Reliance on Attorney's Investigation

If the content of an attorney investigation is substantially at issue, the privilege may be lost. *See Brownell* v. *Roadway Package System, Inc.*, 185 F.R.D. 19 (N.D.N.Y. 1999). In *Brownell*, the plaintiff sought to obtain statements given by her former employer to its counsel prior to her termination. The statements were elicited from defendant's employees during the course of the defendant's investigation into plaintiff's sexual harassment allegations. The court held that because defendant raised the affirmative defense of adequate investigation and prompt responsive action, it had waived the attorney-client privilege and must disclose the reports. *Id.* at 13; *see also Burlington Indus.* v. *Ellerth*, 524 U.S. 742 (1998); *Faragher* v. *Boca Raton*, 524 U.S. 775 (1998). Where "an employer relies on an internal investigation and subsequent corrective action for its defense, it has placed that conduct 'in issue' . . . [and] may not prevent discovery of such an investigation based on attorney-client or work-product privileges solely because the employer has hired attorneys to conduct its investigation." *Pray* v. *New York City Ballet Co.*, 1997 WL 266980, at *1 (S.D.N.Y. 1997), *aff'd in part and rev'd in part*, 1998 WL 558796 (S.D.N.Y. 1998); *see also McGrath* v. *Nassau Health Care Corp.*, 204 F.R.D. 240 (E.D.N.Y. 2001); *Abdus-Sabur* v. *The Port Authority of New York and New Jersey*, 2001 U.S. Dist. LEXIS 14745 (S.D.N.Y. 2001).

In *Pray*, the magistrate judge granted plaintiff's motion to compel the depositions of outside counsel regarding communications between the Ballet and its counsel (a) during the investigation, (b) for the purpose of initiating the investigation, and (c) after the investigation concluded. *Pray*, 1997 WL 266980, at *2. The district court reversed in part, holding that the initial and post-investigation communications were protected by the attorney-client privilege. *Pray*, 1998 WL 558796, at *2-3. In short, even if the investigation materials lose their privileged status because of assertion of an affirmative defense, the employer may still be able to assert privilege as to its advice concerning the results of the investigation.

Other examples involving waiver of investigation materials include:

- *McGrath* v. *Nassau County Healthcare Corporation*, 204 F.R.D. 240 (E.D.N.Y. 2001) (finding subject matter waiver existed because the defendant put its internal investigation "at issue" by arguing that its remedial response was sufficient based on its investigation of the plaintiff's sexual harassment claims and requiring defendants to produce the draft internal investigation report, outside counsel's interview notes and any redacted or deleted sections of the final report that had been produced.)

- *Angelone* v. *Xerox Corp.*, No. 09-CV-6019, 2011 WL 4473534 (W.D.N.Y. Sept. 26, 2011) (holding that when a Title VII defendant affirmatively invokes a *Faragher-Ellerth* affirmative defense that is premised, in whole in or part, on the results of an internal investigation, the defendant waives the attorney-client privilege and work product protections not only for the internal investigation report itself, but for all documents, witness interviews, notes and memoranda created as part of and in furtherance of the investigation).

- In *GM Ignition Switch Litigation*, the court found that there was no waiver of the attorney-client privilege with respect to interview notes and memoranda of those interviews, which were prepared by lawyers engaged to provide legal advice, as a result of the client having provided a copy of the law firm's ultimate report to Congress, the DOJ and other agencies, because under Fed. R. Evid. 502(a), there was no showing by the party seeking production that the interview materials must, in fairness, be made available in order to prevent a selective or misleading presentation of evidence through consideration of the report alone. Slip op. at 19-20.

D. Losing the Benefits of the Work Product Doctrine

As a federal judge recently observed in *NXIVM Corporation* v. *O'Hara*:

> The work product doctrine is not absolute either. Such protection, like any other privilege, can be waived and the determination of such a waiver depends on the circumstances. *United States* v. *Nobles*, 422 U.S. at 239-40. In fact, in most respects, the discussion of a third party waiver is virtually the same for both the attorney-client privilege and the work product doctrine. A voluntary disclosure of work product, for some if any inexplicable benefit, to a third party, especially if the party is an adversary, may waive the immunity. *In re Steinhardt Partners, L.P.*, 9 F.3d 230, 234-47 (2d Cir. 1993); *see also In re Grand Jury Proceedings*, 219 F.3d at 191; *Strougo* v. *BEA Associates*, 1999 F.R.D. at 521-22. "Once a party allows an adversary to share in an otherwise privileged document," "the need for the privilege disappears," and

> may disappear forever, even as to different and subsequent litigators. *In re Steinhardt Partners*, 9 F.3d at 235 (citing *United States* v. *Nobles*, 422 U.S. at 239). As an illustration, when a party makes a strategic decision, no matter how broad and sweeping or limited, to disclose privileged information, a court can find an implied waiver. *In re Grand Jury Proceedings*, 219 F.3d at 190-92. Moreover, a party cannot partially disclose a privileged document nor selectively waive the privilege and then expect it to remain a shield. *Id.* at 191. However, there is no *per se* rule that all voluntary disclosures constitute a waiver of the work product doctrine because there is no way the court can anticipate all of the situations when and how such disclosure is required. *In re Steinhardt Partners*, 9 F.3d at 236 (*i.e.*, privilege not waived if shared with someone of common interest). There are times when a waiver can be broad and other times when it has to be narrowly construed. Each case must be judged on its own circumstances and merits. *See Strougo* v. *BEA Associates*, 199 F.R.D. at 521-22.

1. Overcoming Qualified Protection under FRCP 26(b)(3)

Once work product requirements are met, the burden shifts to the party seeking disclosure to show both a substantial need for the information and an inability to obtain it elsewhere without undue hardship. This showing will suffice only for non-opinion work product or trial preparation materials. *Lugosch* v. *Congel*, 219 F.R.D. 220, 239-240 (N.D.N.Y. 2003). *See Henry* v. *Champlain*, *supra*, slip op. at 15-16; *People* v. *Kozlowski*, *supra*, 869 N.Y.S.2d 848.

Opinion or core work product receives higher protection and the requesting party must demonstrate extraordinary justification before the court will permit its release. *United States* v. *Adlman*, 134 F.3d at 1204 (2d Cir. 1988).

2. Application of Work Product Protection after the Case for Which the Materials Were Prepared Has Terminated

In *FTC* v. *Grolier*, 462 U.S. 19, 25 (1983), the Supreme Court observed in *dicta* that "the literal language of [Rule 26(b)(3)] protects materials prepared for *any* litigation or trial as long as they were prepared by or for a party to the subsequent litigation." While some courts require that the subject matter of the subsequent litigation be related to the subject matter of the litigation for which the work product materials were prepared, *In re Megan-Racine Assoc., Inc.*, 189 B.R. 562 (Bankr. N.D.N.Y. 1995), other courts have either left this issue unresolved or have found that the privilege continues to apply even if the subsequent litigation is unrelated. *Republic Gear Co.* v. *Borg-Warner Corp.*, 381 F.2d 551, 557 (2d Cir. 1967); *Vermont Gas Systems, Inc.* v. *United States Fidelity & Guaranty Co.*, 151 F.R.D. 268, 276 n.8 (D. Vt. 1993) (materials prepared for a previous and related lawsuit remain privileged in a subsequent lawsuit); *Henry* v. *Champlain*, *supra* (material prepared in anticipation of Tax Court case prior to 1999 afforded work product protection in subsequent civil action under ERISA by participants in company's ESOP);

Beascock v. *Dioguardi Enterprises, Inc.*, 499 N.Y.S.2d 560 (4th Dep't 1986) (work product protection available for documents prepared for other litigation).

3. Disclosure to Third Parties

Work product protection is waived with respect to materials provided to a testifying expert. *Baum* v. *Village of Chittenango*, 218 F.R.D. 36 (N.D.N.Y. 2003); *Lugosch* v. *Congel*, 219 F.R.D. 220 (N.D.N.Y. 2003); *but see* Rule 26(b)(4) (providing trial-preparation protection for draft expert reports and for communications between a party's attorney and expert witnesses).

Use of a document to refresh a witness's recollection may give rise to a waiver. In New York State courts, the waiver is virtually automatic: *see Stern* v. *Aetna Casualty & Surety Co.*, 552 N.Y.S.2d 730 (4th Dep't 1990); *Hannold* v. *First Baptist Church*, 677 N.Y.S.2d 859 (4th Dep't 1998); *Serrano* v. *Rajamani*, 775 N.Y.S.2d 921 (4th Dep't 2004). The Federal Rule requires that a balancing approach be employed under Federal Rule of Evidence 612. *Primetime 24 Joint Venture* v. *Echo Star Communications Corporation*, 2000 U.S. Dist. LEXIS 779 (S.D.N.Y. 2000) ("Rule 612 cannot be invoked to pierce work-product immunity or a privilege unless the discovering party demonstrates, at a minimum, that the particular document was used to prepare a witness and that his testimony was influenced by that document.").

III. Multi-Jurisdictional Privilege Issues

Companies with offices in both the U.S. and outside the U.S. often face multi-jurisdictional complications in protecting privilege. For example, whereas advice of in-house counsel is protected by the attorney-client privilege in the U.S., *U.S.* v. *Louisville & Nashville R.R. Co.*, 236 U.S. 318, 336 (1915), in the European Union ("EU"), advice of in-house counsel is generally not protected by privilege. Case 155/79, *AM & S Eur. Ltd.* v. *Comm'n*, 1982 E.C.R. 1575 (E.C.J.); Case C-550/07P, *Akzo Nobel Chems., Ltd.* v. *Comm'n*, 2010 EUR-Lex CELEX 62007J0550 (E.C.J.).

The European Union rule as to in-house counsel may not hold true when a case is under the jurisdiction of a specific EU country. For instance, in the Netherlands, Ireland and the UK, certain communications with in-house counsel are privileged when the in-house counsel is a regulated legal professional acting in a legal capacity. *See X/ Stichting H9 Invest*, Hoge Raad der Nederlanden [HR] [Supreme Court of the Netherlands], 15 maart 2013, NJ 2013/388 ¶ 5.3 (ann. HBK) (Neth.); Belgacom SA/Belgian Competition Authority, Cour d'appel [CA] [regional court of appeal] Bruxelles, 18ème ch., March 5, 2013, R.D.C. 2014, 271, 274-75, obs. P. L'Ecluse & L. Mariën (Be.). Below, we explore how U.S. courts treat European in-house counsel communications and vice versa, and we examine privilege issues in the context of international arbitration.

A. U.S. Court Approaches to European In-House Counsel Communications

In the U.S., courts have developed at least three approaches to whether they will find European or other non-U.S. in-house counsel communications to be privileged. First, some courts will look to the expectations of the parties to the communications in the jurisdiction in

which the communication took place. *Malletier* v. *Dooney & Bourke, Inc.*, 2006 WL 3476735, at *17 (S.D.N.Y. Nov. 30, 2006) (citing *U.S.* v. *Constr. Prods. Research, Inc.*, 73 F.3d 464, 473 (2d Cir. 1996)). In that case, the court ruled against a finding of privilege where the communications at issue took place in France and there was an "absence of any indication in the record that the participants . . . expected that they would be protected." *Id.*

Other courts look to the subject matter of the communication. In *In re Rivastigmine Patent Litig.*, the court stated the rule thus: "If a communication with a foreign patent agent involves a U.S. patent application, then U.S. privilege law applies, and communications on that subject with a patent agent are *not* privileged, unless the foreign agent is acting under the authority and control of a U.S. attorney." 237 F.R.D. 69, 74 (S.D.N.Y. 2006) (emphasis in original) (citations and quotations omitted). Conversely, if the communication relates to a foreign patent, "then as a matter of comity, the law of that foreign country" applies in determining privilege. *Id.* This same rule has been applied in a non-patent context. *See, e.g.*, *In re Philips Servs. Corp. Sec. Litig.*, 2005 WL 2482494, at *1-2 (S.D.N.Y. 2005) (U.S. law governed where Canadian lawyers located in Canada gave advice with respect to public offering in the U.S., and disclosure of opinion letters to outside auditors waived the privilege even if no waiver would have arisen under Canadian law).

Finally, some courts will apply the law of the jurisdiction with the most protective privilege rule. In *Renfield Corp.* v. *E. Remy Martin & Co.*, the court took a broad interpretation of the Hague Evidence Convention, which governs discovery of documents located in EU countries, the U.S. and multiple other jurisdictions. 98 F.R.D. 442 (D. Del. 1982). The court, dealing with documents located in France, held that "if a privilege is recognized by either French or United States law, [a party] may invoke it." *Id.* at 444. The court held that the privilege extended to communications with foreign in-house counsel, despite the fact that the French in-house counsel were not members of a bar. *Id.* The *Malletier* court, among others, has criticized this decision, noting that "*Renfield* has not been followed elsewhere; indeed, a coordinate court in the Third Circuit explicitly disagreed with it and noted that Third Circuit law was inconsistent with its analysis." 2006 WL 3476735, at *17.

B. European Court Approaches to U.S. In-House Counsel Communications

European jurisprudence with respect to the issue of U.S. in-house counsel communications has significant implications for companies subject to European Commission competition law scrutiny. The European Court of Justice ("ECJ") has permitted the European Commission to use documents of U.S. in-house counsel that would have been privileged in the U.S. Case L-35/38, *John Deere & Co.* v. *N.V. Cofabel*, 14 December 1984 O.J.L. 35, 2 C.M.L.R. 554. In that case, the ECJ permitted the Commission to seize legal memoranda sent from in-house counsel to the company's U.S. headquarters as well as European headquarters. *Id.* The Commission relied on these memoranda in its conclusion that John Deere violated EU competition laws. In light of this precedent, the Commission's broad authority, including authority to conduct so-called "dawn raids," as well as powerful enforcement mechanisms, it is advisable for in-house counsel to use local outside counsel to provide opinions on sensitive matters.

It is unlikely that the ECJ would recognize the privilege of a U.S. lawyer practicing in Europe but not admitted to the bar of an EU-member state. In *AM & S Eur. Ltd.* v. *Comm'n*, the seminal case establishing the attorney-client privilege in the EU, the court stated in *dicta* that the privilege "must apply without distinction to any lawyer entitled to practise his profession in one of the member states, regardless of the member state in which the client lives. Such protection may not be extended beyond those limits . . . ." Case 155/79, 1982 E.C.R. 1575 ¶¶ 24-25 (E.C.J.). *See also* Opinion of Advocate General Kokott, *Akzo Nobel Chems., Ltd.* v. *Comm'n*, Case C-550/07P, ¶¶ 188-90 (rejecting argument that "EU law must extend the protection afforded by legal professional privilege even to communications with in-house lawyers who are members of a Bar of Law Society in a third country").

C. International Arbitration and Privilege

The application of privilege in arbitration is highly variable depending upon the rules under which the arbitration takes place. Most arbitration rules do not provide guidance on the issue of privilege. These include the rules of the ICC, SCC, WIPO and LCIA. The arbitration rules that do provide guidance vary widely in their specific provisions. For instance, the International Centre for Dispute Resolution ("ICDR") Rules of June 2014 state with respect to privilege:

> The arbitral tribunal shall take into account applicable principles of privilege, such as those involving the confidentiality of communications between a lawyer and client. When the parties, their counsel, or their documents would be subject under applicable law to different rules, the tribunal should, to the extent possible, apply the same rule to all parties, giving preference to the rule that provides the highest level of protection.

ICDR Rules, Article 22. This approach is similar to the *Renfield* approach described *supra*. The International Institute for Conflict Prevention and Resolution ("IICPR") Rules for Non-Administered Arbitration, on the other hand, only vaguely state: "[t]he Tribunal is not required to apply the rules of evidence used in judicial proceedings, provided, however, that the Tribunal shall apply the lawyer-client privilege and the work product immunity." IICPR Rule 12.2. The specific application and scope of those privileges, however, is left to the discretion of the arbitration panel.

Notwithstanding this variability, the widespread adoption of the IBA Rules on the Taking of Evidence in International Commercial Arbitration ("IBA Rules on Evidence") provides as close to a "standard" as can be found in international arbitration. Those rules state that arbitrators shall, "at the request of a Party or on its own motion, exclude from evidence or production any Document . . . [because of] legal impediment or privilege under the legal or ethical rules determined by the Arbitral Tribunal to be applicable." IBA Rules on Evidence, Article 9(2)(b).