FOLEY

FOLEY & LARDNER LLP

MILWAUKEE CLE WEEK PRESENTATION

Ethical Considerations for In-House Counsel

Anne-Louise Mittal

Jesse Byam-Katzman

December 12, 2024

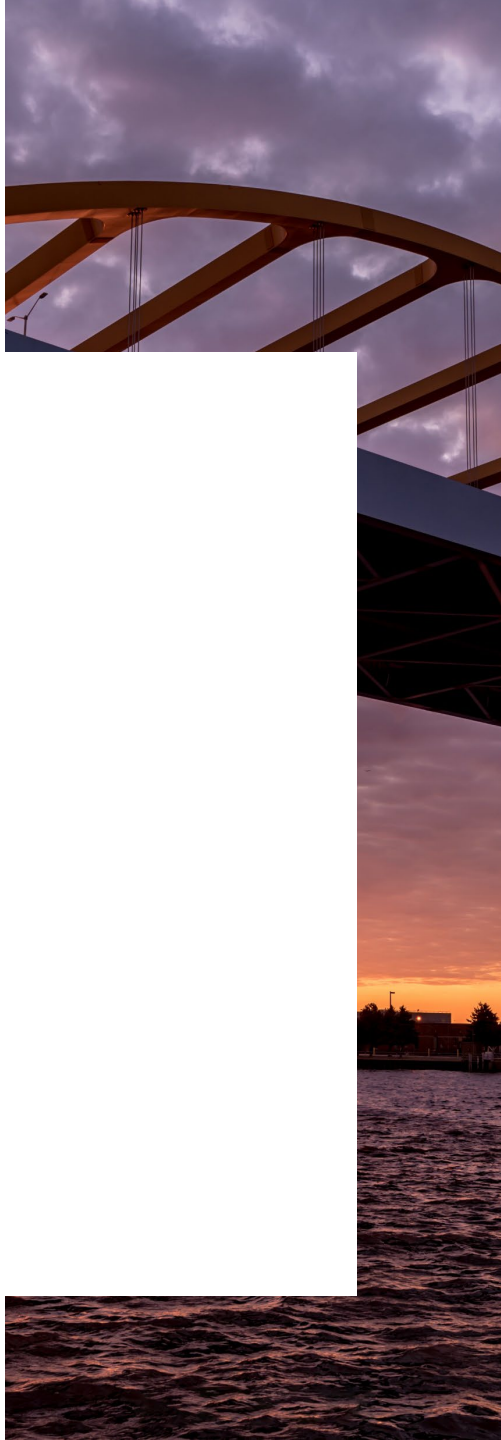
Presenters

Anne-Louise Mittal
Senior Counsel | Milwaukee

T: 414.319.7215
E: amittal@foley.com

Jesse Byam-Katzman
Senior Counsel | Milwaukee

T: 414.319.7057
E: jbyam-katzman@foley.com



Agenda

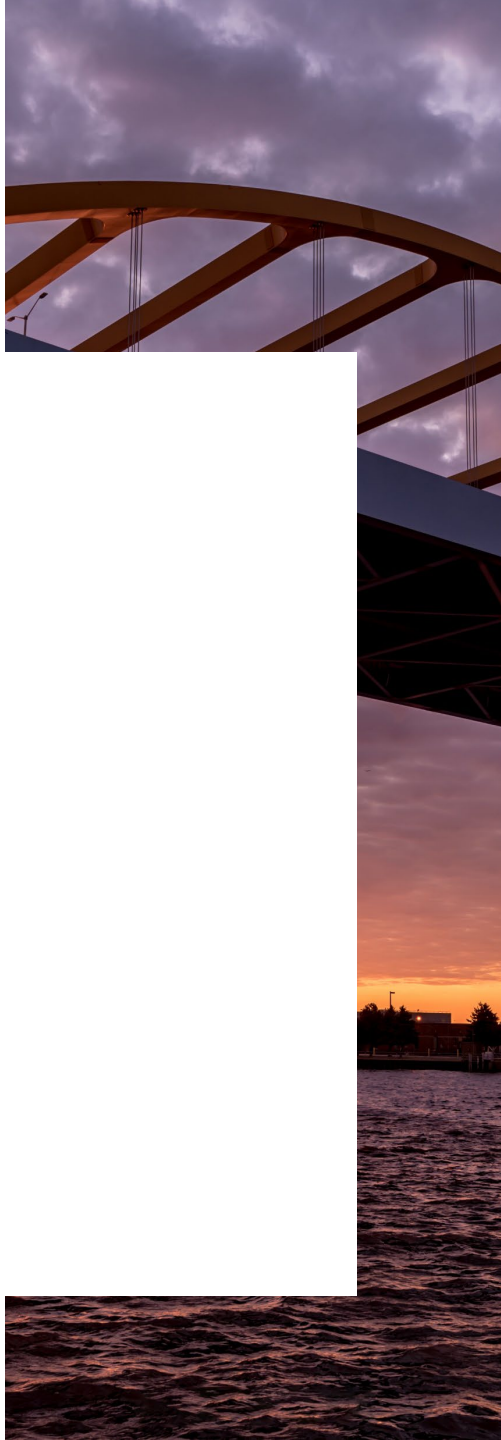
Attorney-Client Privilege and Confidentiality Primer

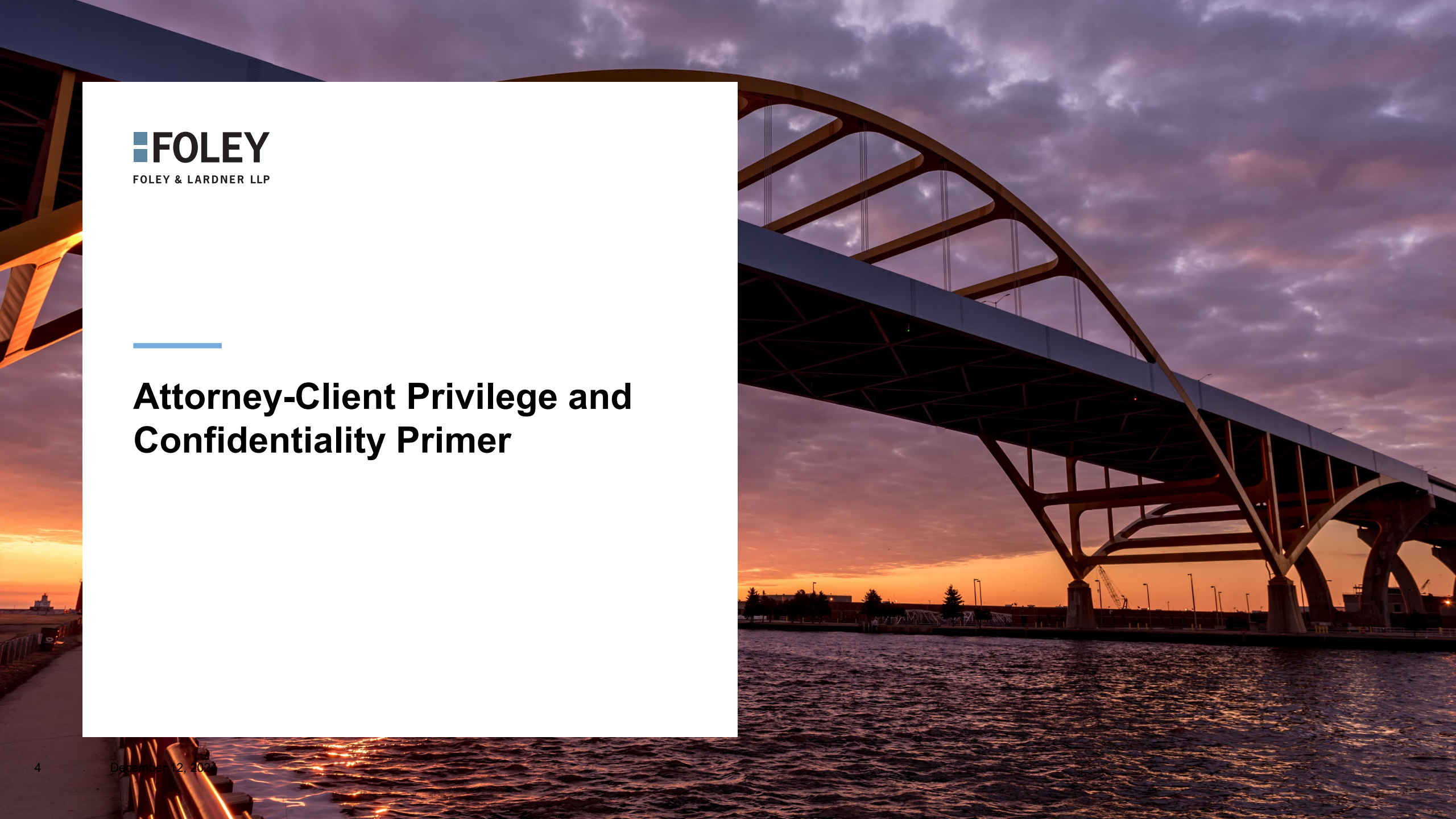
Who is the Client?

Privilege Pitfalls for In-House Counsel

Ethics of Negotiations

Document Retention



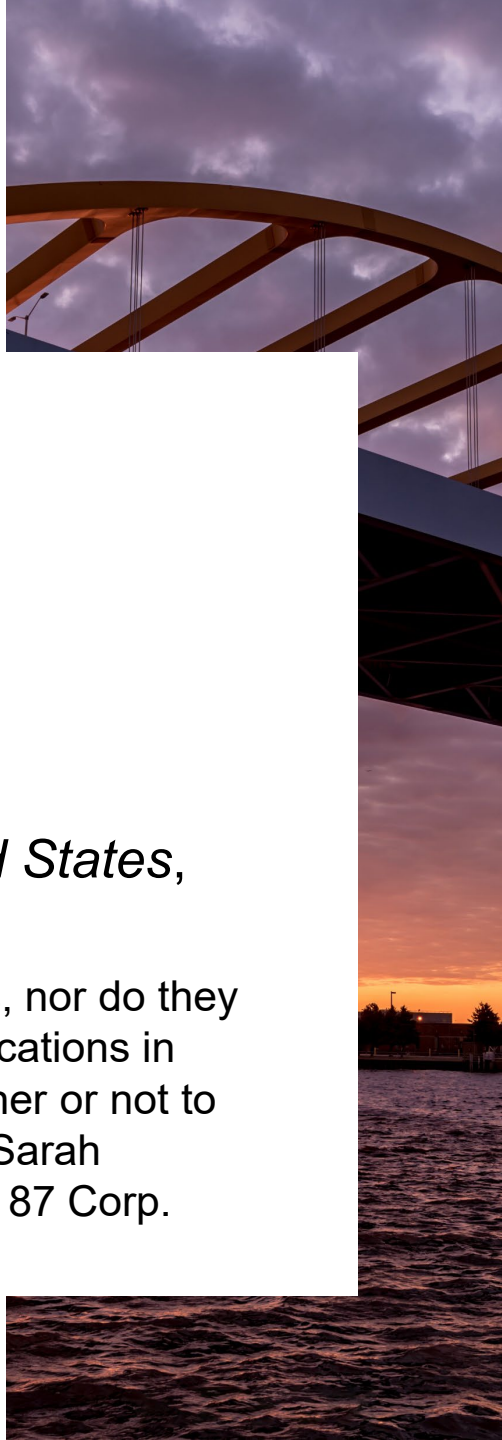


FOLEY & LARDNER LLP

Attorney-Client Privilege and Confidentiality Primer

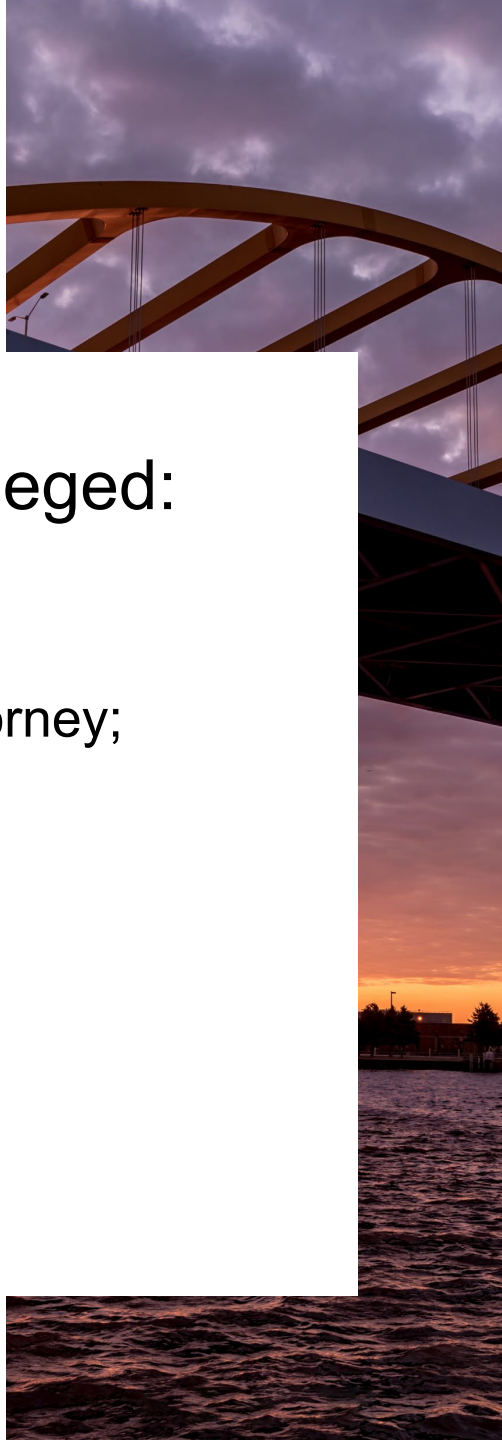
Attorney-Client Privilege

- The attorney-client privilege is a limited evidentiary privilege that protects from disclosure:
  - (1) confidential communications;
  - (2) between an attorney and her client (or agents of one or both);
  - (3) relating to the solicitation or provision of legal advice.
- The attorney-client privilege applies to in-house counsel. *Upjohn Co. v. United States*, 449 U.S. 383 (1981).
  - BUT: "Courts have not been consistent in applying the privilege to corporate communications, nor do they consistently answer the question of who is the client for purposes of attorney-client communications in corporations. Courts have also showed a bias against in-house counsel when deciding whether or not to apply the attorney-client privilege to the in-house lawyers' communications with their client." Sarah Bricknell & Christina Norland, *In-House Corporate Counsel and the Attorney-Client Privilege*, 87 Corp. Prac. Series at A-48 (BNA 2007).



Attorney-Client Privilege (Continued)

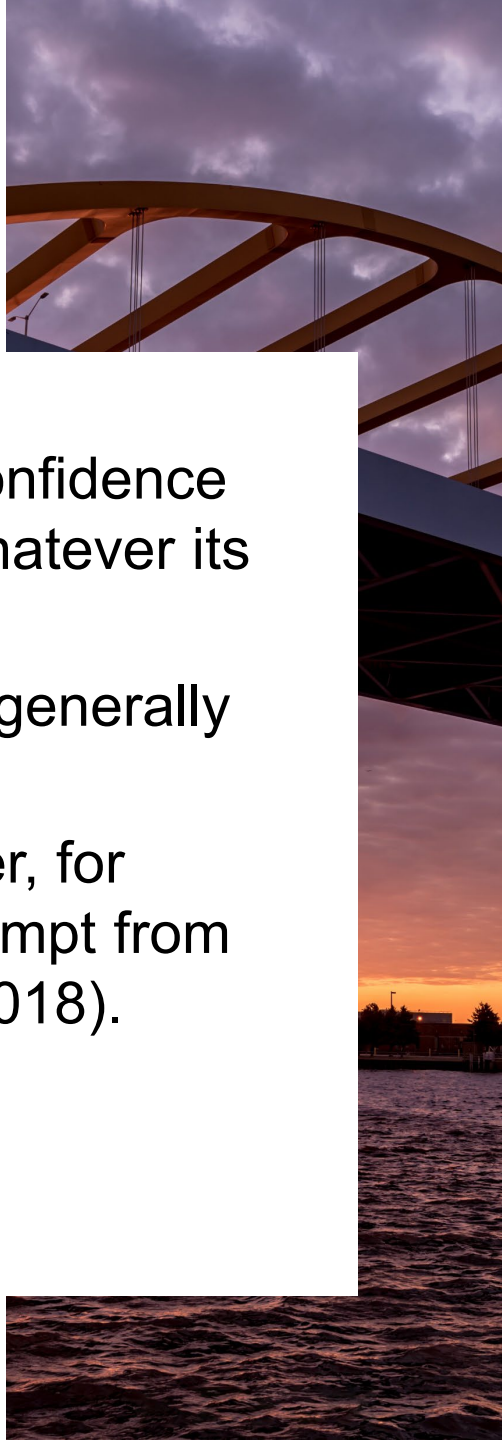
- Based upon definition, certain communications are **not** privileged:
  - (1) Communications that were not meant to be confidential, or were not kept confidential;
  - (2) Communications between client agents not directed to or involving an attorney;
  - (3) Communications that do not relate to the provision of legal advice.
- Most jurisdictions also identify exceptions to the privilege:
  - (1) Crime/Fraud exception;
  - (2) Dispute between attorney and client;
  - (3) Advice-of-counsel defense.



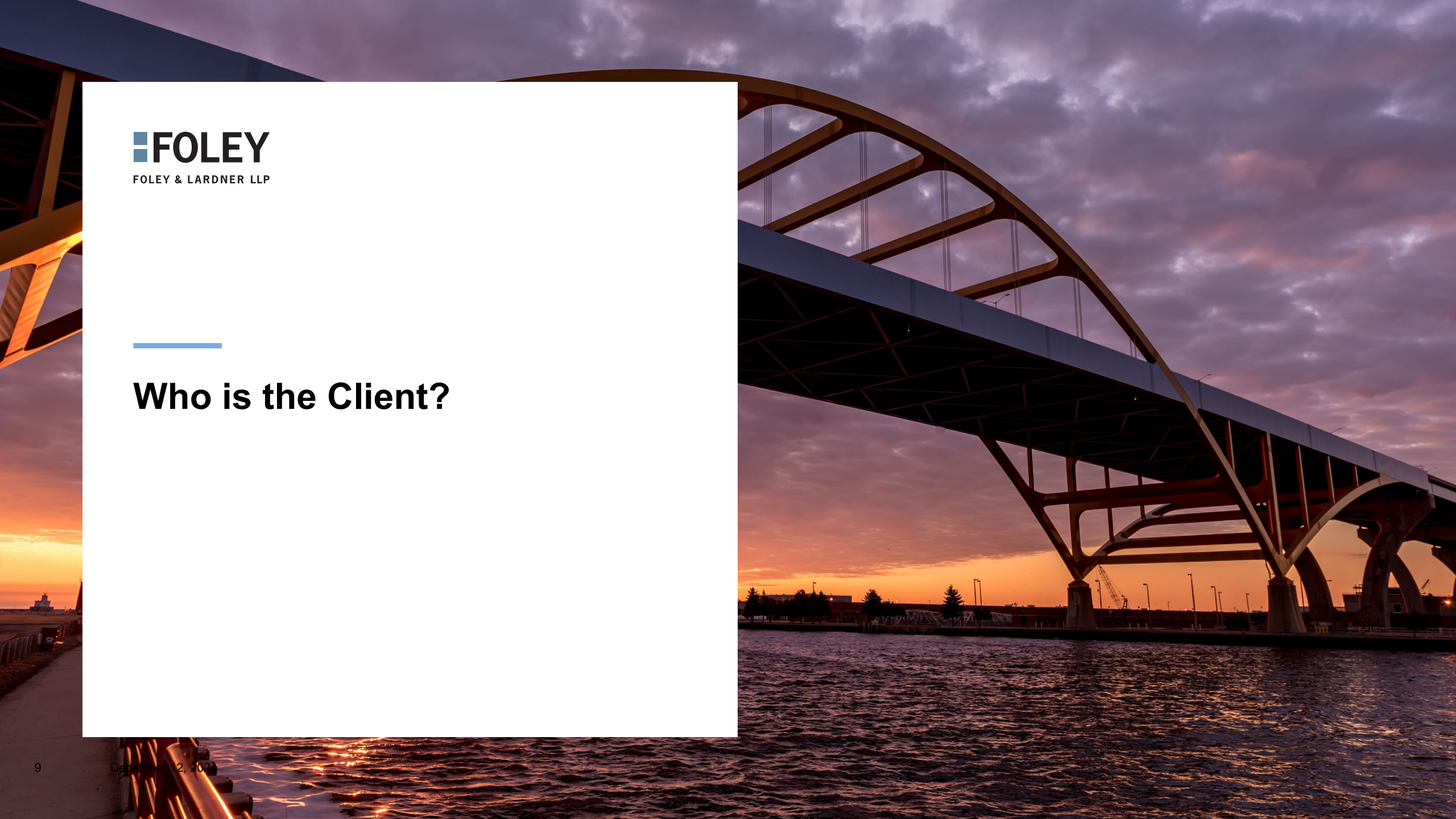
Confidentiality of Client Information

- The evidentiary privilege is related to, but differs from, the attorney's duty of confidentiality owed to the client.
- **SCR 20:1.6 – Confidentiality**
  - **(a) A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation or the disclosure is permitted by paragraph (b).**
- The ethical duty to treat as confidential information relating to the representation of a client is broader than the evidentiary privilege.

Confidentiality of Client Information (Continued)



- The confidentiality rule “applies not only to matters communicated in confidence by the client but also to all information relating to the representation, whatever its source.” Cmt. 3 to Rule 1.6.
- Rule 1.6 does not contain an exception for information that is public or generally known.
- “[I]nformation about a client’s representation contained in a court’s order, for example, although contained in a public document or record, is not exempt from the lawyer’s duty of confidentiality.” ABA Formal Opinion 480 (Mar. 6, 2018).



FOLEY & LARDNER LLP

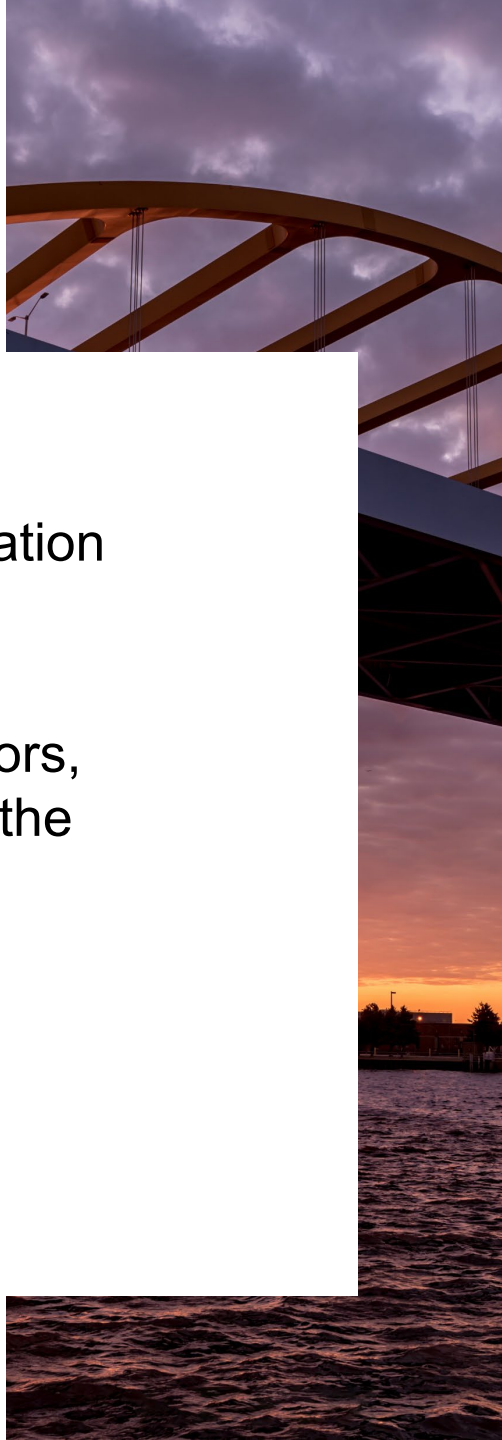
Who is the Client?

Who is the Client?

- SCR 20:1.13 – Organization as Client
  - "(a) A lawyer employed or retained by an organization represents the organization acting through its duly authorized constituents.

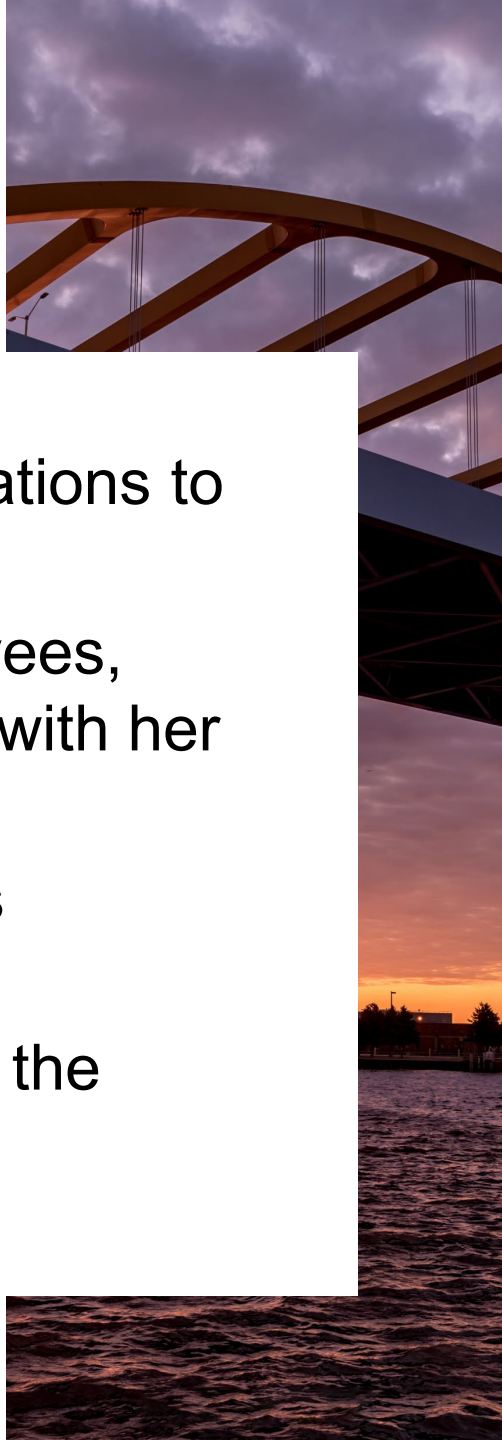
    * * *

  - (g) A lawyer representing an organization may also represent any of its directors, officers, employees, members, shareholders or other constituents, subject to the provisions of SCR 20:1.7."



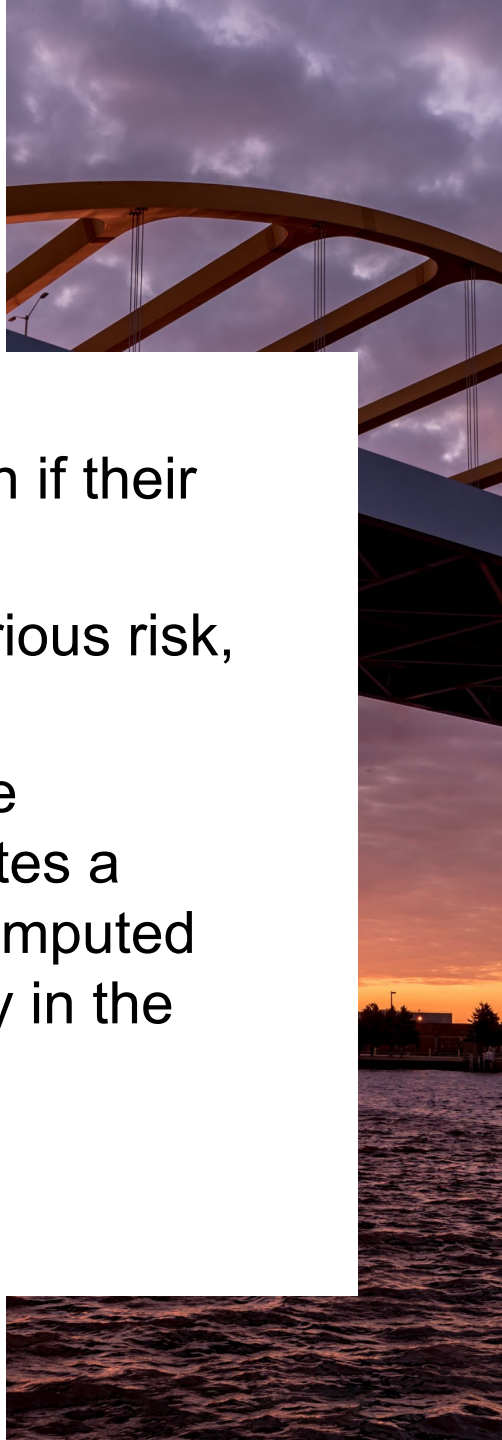
Entity Theory of Representation

- A lawyer for a corporation owes her ethical and professional obligations to her client – the organization.
- Problem – Corporations can act only through their agents (employees, officers, directors). Thus, an in-house lawyer never deals directly with her client *per se*, but only with the agents of the client.
  - In-house lawyer must ensure the constituent giving direction has authority to bind the corporation.
  - In-house lawyers must also ensure that constituents understand the scope of representation.

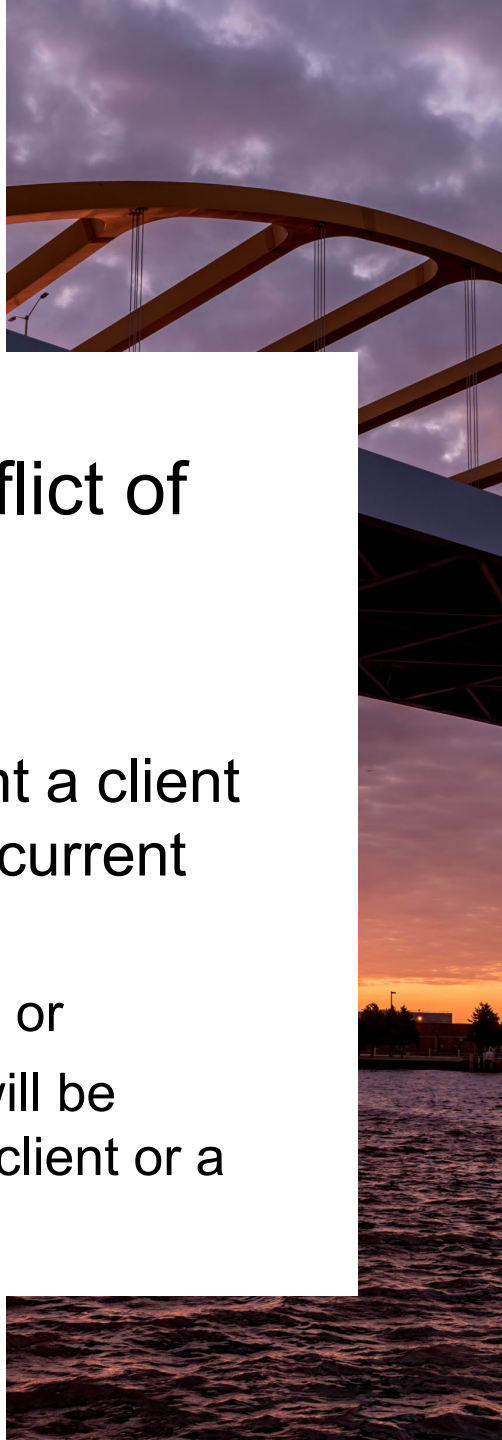


Entity Theory of Representation (Continued)

- Corporate counsel must ordinarily accept decisions of constituents “even if their utility or prudence is doubtful.” Cmt. 3 to SCR 20:1.13.
- Decisions concerning policy and operations, including ones entailing serious risk, are generally not in the lawyer's province.
- **The exception:** “[I]f the lawyer knows that the organization is likely to be substantially injured by action of an officer or other constituent that violates a legal obligation to the organization or is in violation of law that might be imputed to the organization, the lawyer must proceed as is reasonably necessary in the best interest of the organization.” Cmt. 3 to SCR 20:1.13.



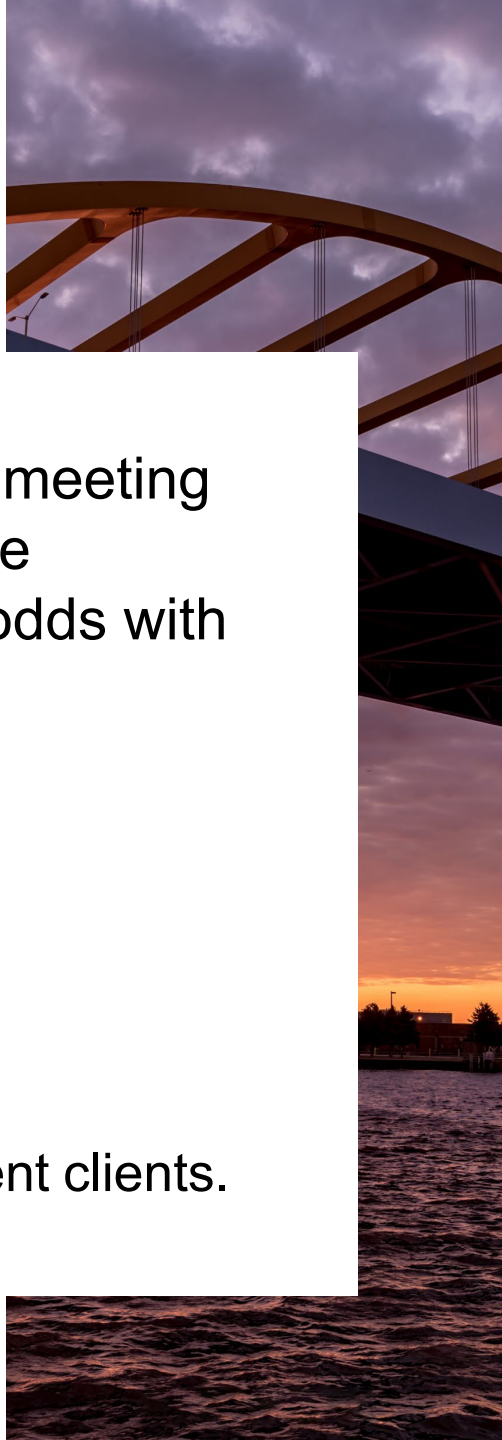
Counseling Employees of the Company



- Remember, the company is your client – must avoid conflict of interest.
- SCR 20:1.7 – Conflict of Interest – Current Client:
  - (a) Except as provided in paragraph (b), a lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if:
    - (1) the representation of one client will be directly adverse to another client; or
    - (2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.

***

Upjohn – The Corporate *Miranda* Rule



- A corporate “Miranda” warning should be given before any interview or meeting with a member of the company, to explain that the lawyer represents the organization, especially when it’s clear the organization’s interest is at odds with constituents’.

- Failure to give warning risks violation of Rule 1.7 governing conflicts with current clients.

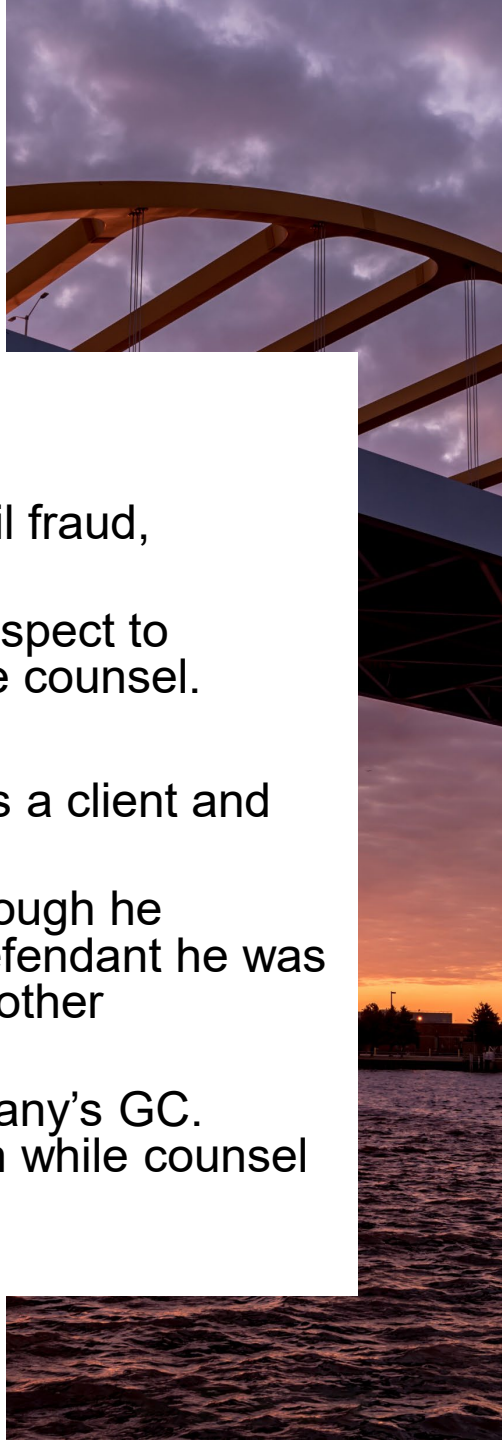
Who is the Client – Lessons Learned

In the case of Government v. former employee (trying desperately to avoid introduction of damning statements made to in-house counsel that would all but certainly lead to conviction) …

Not the Client

United States v. Graf, 610 F.3d 1148 (9th Cir. 2010)

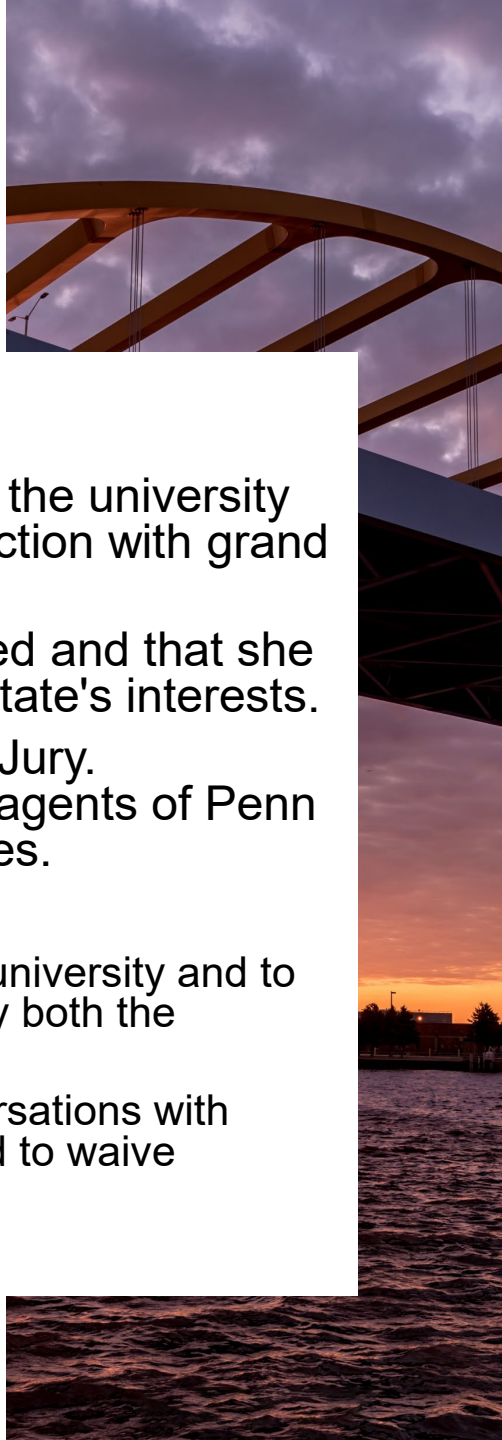
- The founder and former officer of health insurance company appealed conviction for mail fraud, misappropriation from a health care benefit program, and obstruction of justice.
- Before trial, the company's independent fiduciary waived the company's privilege with respect to communications between the company (through defendant) and its outside and in-house counsel.
- At trial, counsel testified about defendant's statements and conduct.
- Defendant argued this testimony should have been excluded on the grounds that he was a client and sought personal legal advice from counsel.
- The court held that defendant had no joint attorney-client privilege with counsel, even though he communicated with them, believed that they represented him, and counsel never told defendant he was not their client, because he failed to show that he sought personal legal advice and met other requirements of the privilege.
- Notably, the GC personally represented defendant before and after serving as the company's GC. Nevertheless, the court found that there was no evidence of any personal representation while counsel served as the company's GC.



Is the Client

Off. of Disciplinary Couns. v. Baldwin, 657 Pa. 339 (2020)

- Disciplinary case involving Penn State's former general counsel's representation of both the university and certain of its administrators (president, VP of finance, and athletic director) in connection with grand jury investigation into allegations of child abuse by assistant football coach.
- Counsel informed each administrator that they could have other counsel if they so desired and that she could not represent them if their stories were not consistent and not aligned with Penn State's interests.
- After hearing their stories, Respondent agreed she could accompany them to the grand Jury. Respondent never advised them that she solely represented them in their capacities as agents of Penn State, nor did she advise them that she did not represent them in their personal capacities.
- Holding:
  - Counsel violated Rule 1.7, by failing to disclose existence of conflict when subpoenas issued to university and to administrators showed that focus of investigation had expanded into possible criminal conduct by both the university and the administrators.
  - Counsel violated Rule 1.6 where she provided grand jury testimony about her confidential conversations with each of the administrators in connection with subpoena compliance. Although Penn State agreed to waive privilege on that topic, the administrators did not.



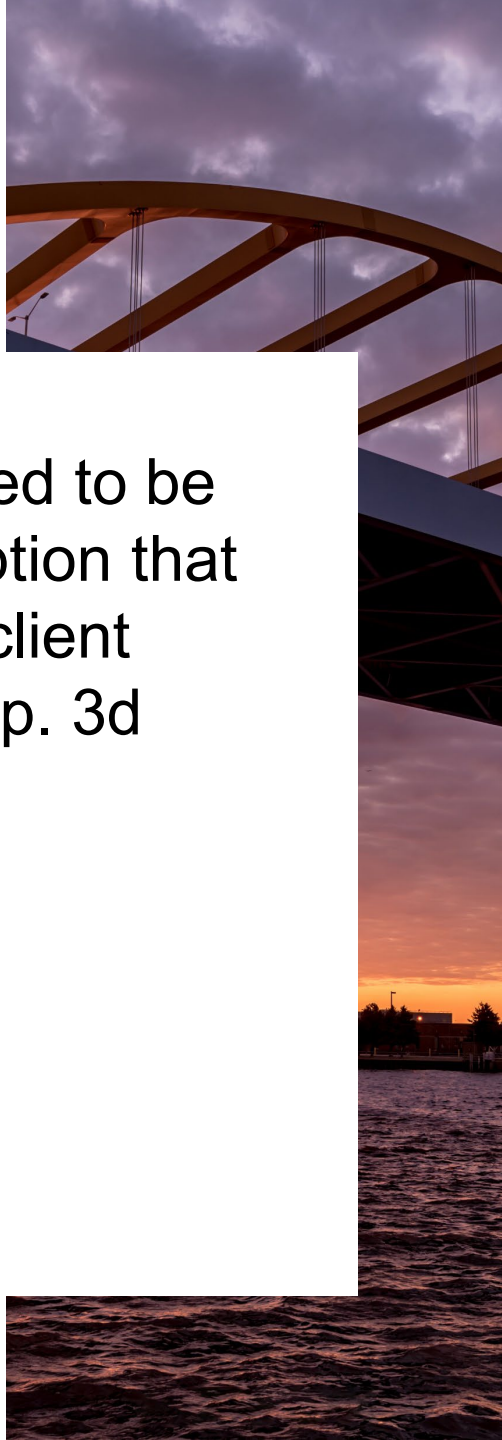
FOLEY & LARDNER LLP

Privilege Pitfalls for In-House Counsel

Is the Communication Actually Privileged?

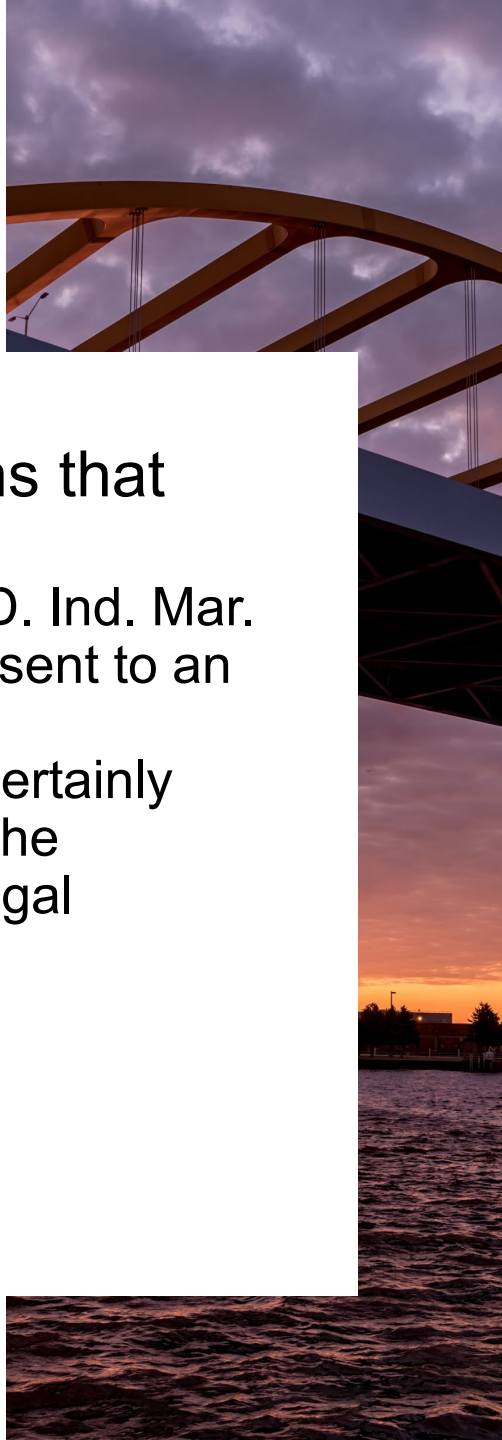
In-House Counsel's Dual Roles

- "[U]nlike communications with outside counsel, which are presumed to be made for the purpose of seeking legal advice, there is no presumption that communications with in-house counsel are protected by attorney-client privilege." *Dolby Lab'ys Licensing Corp. v. Adobe Inc.*, 402 F. Supp. 3d 855 (N.D. Cal. 2019).



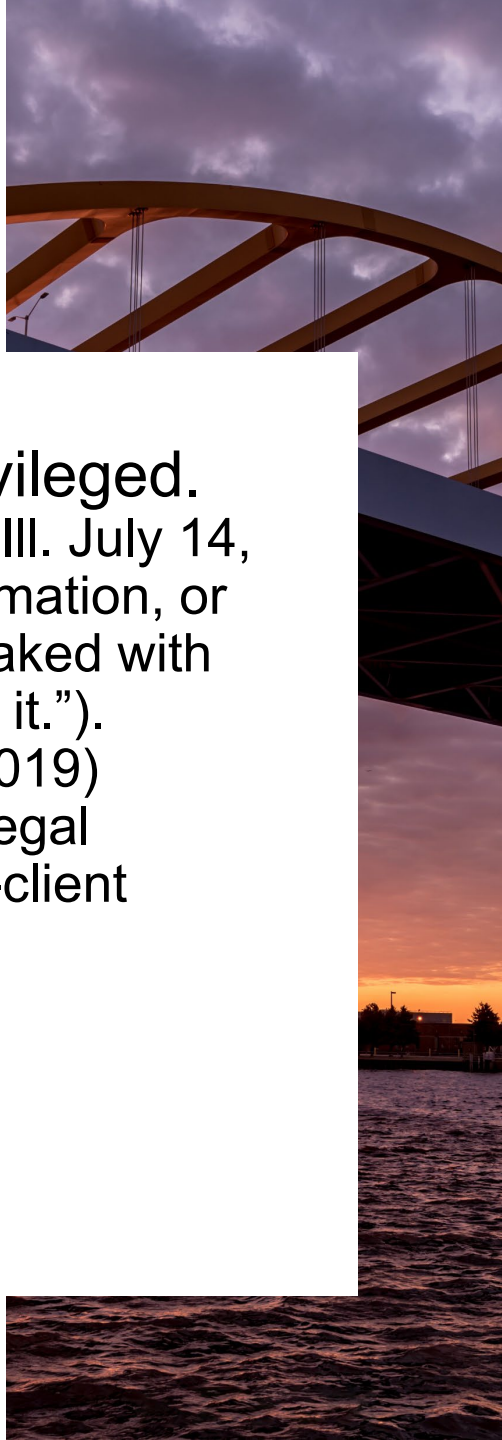
Is the Communication Actually Privileged?

In-House Counsel's Dual Roles



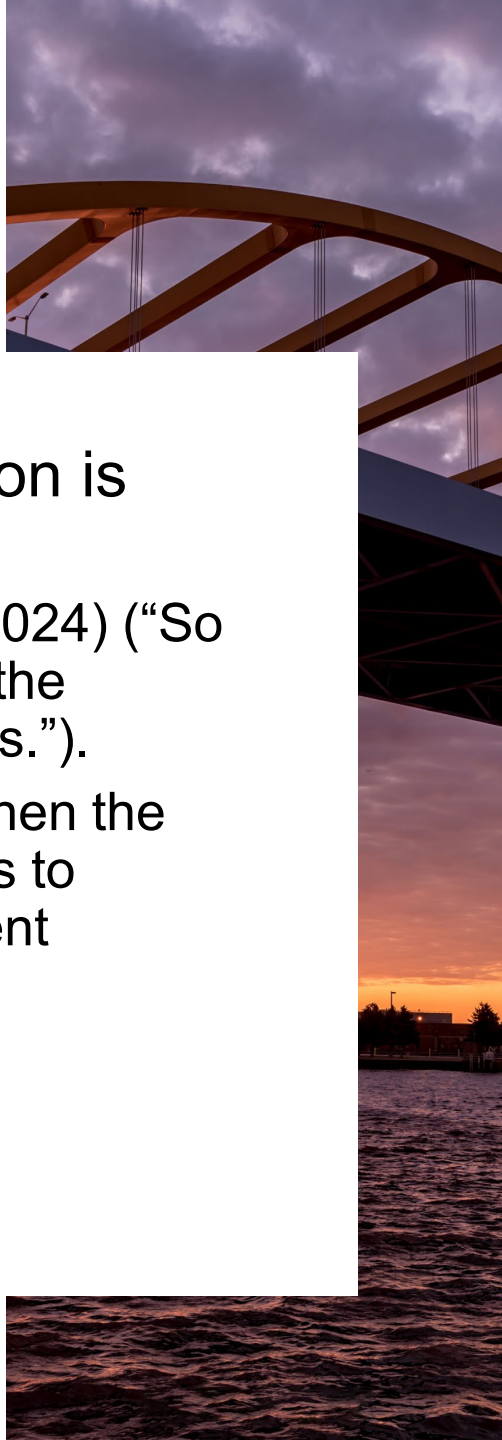
- **Remember:** The privilege attaches to confidential communications that seek or provide legal advice.
  - *Elder Care Providers of Ind., Inc. v. Home Instead, Inc.*, 2016 WL 881176 (S.D. Ind. Mar. 8, 2016) ("A document does not become privileged simply because a copy is sent to an attorney.").
  - *Uhlig LLC v. PropLogix, LLC,* 2024 WL 1239719 (D. Kan. Mar. 22, 2024) ("[C]ertainly counsel's 'presence' during the conversations do not make them privileged. The privilege only protects confidential communications made in order to obtain legal assistance from the attorney in his capacity as a legal advisor.").

Is the Communication Actually Privileged?
In-House Counsel's Dual Roles



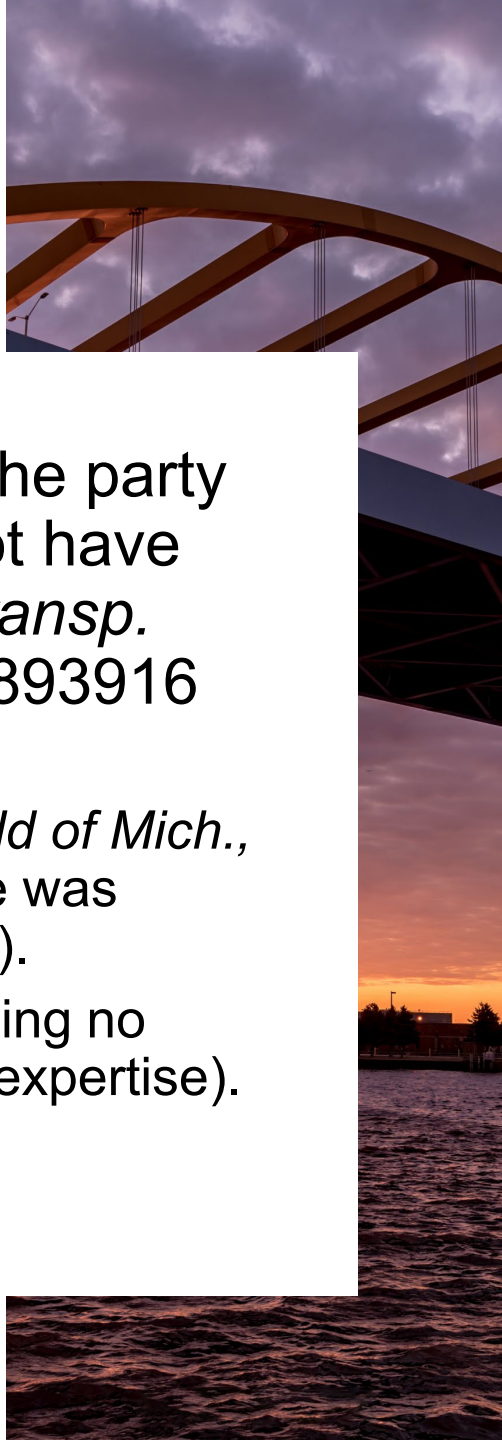
- Communications seeking or providing business advice are not privileged.
  - *Washtenaw Cnty. Emps. Ret. Sys. v. Walgreen Co*., 2020 WL 3977944 (N.D. Ill. July 14, 2020) ("[A] non-privileged communication containing business advice or information, or containing something other than legal advice, does not suddenly become cloaked with the privilege simply because the sender chose to copy an in-house lawyer on it.").
  - *Dolby Lab'ys Licensing Corp. v. Adobe Inc.*, 402 F. Supp. 3d 855 (N.D. Cal. 2019) ("Communications with in-house counsel may relate to business rather than legal matters, and in-house counsel's business advice is not protected by attorney-client privilege.").

Is the Communication Actually Privileged?
Business vs. Legal Advice



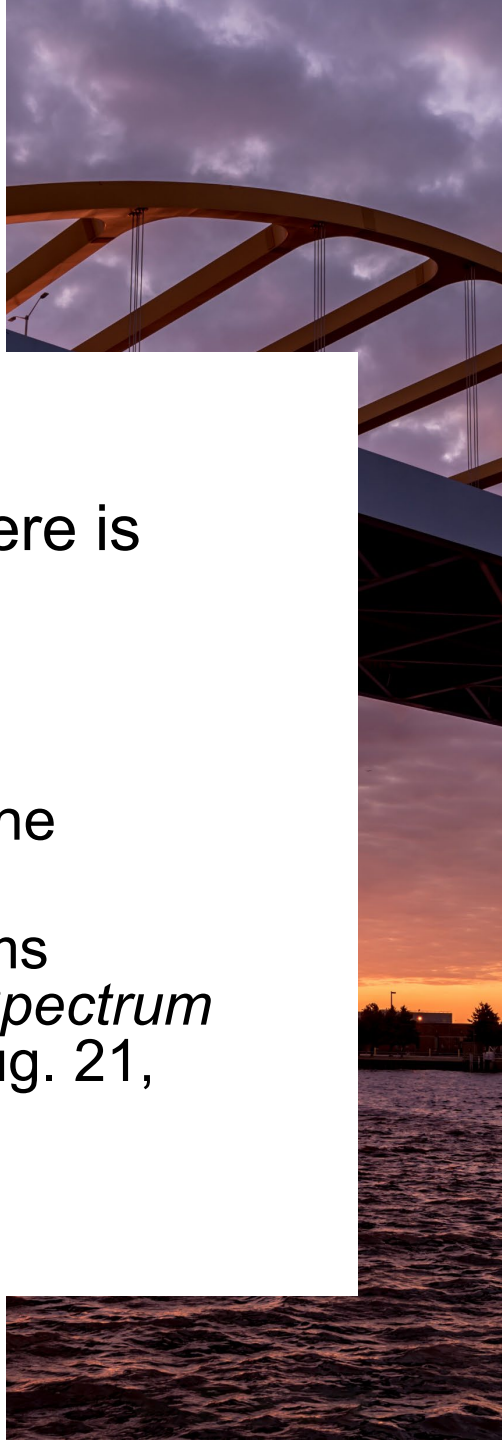
- When legal and business advice are intertwined, the communication is only privileged if its ***primary purpose*** is legal advice.
  - *Bassett v. Tempur Retail Stores, LLC*, 2024 WL 3416221 (D. Mass. July 15, 2024) ("So long as the communication is primarily or predominantly of a legal character, the privilege is not lost by reason of the fact that it also dealt with nonlegal matters.").
  - *Immersion Corp. v. HTC Corp*., 2014 WL 3948021 (D. Del. Aug. 7, 2014) ("When the communication between an attorney and non-legal personnel primarily relates to business concerns, the communication is not within the scope of attorney-client privilege.").

Is the Communication Actually Privileged?
Business vs. Legal Advice



- When legal advice is intimately intertwined with business advice, the party claiming privilege must demonstrate the communication "would not have been made ***but for*** the protection the privilege affords." *Se. Pa. Transp. Auth. v. Drummond Decatur & State Properties, LLC*, 2023 WL 11893916 (E.D. Pa. Feb. 20, 2023) (emphasis added).
  - *Grand Traverse Band of Ottawa & Chippewa Indians v. Blue Cross Blue Shield of Mich.,* 2021 WL 3021267 (E.D. Mich. July 16, 2021) (reasoning that business advice was protected by privilege where it was "inextricably intertwined" with legal advice).
  - *Uhlig LLC v. PropLogix, LLC,* 2024 WL 1239719 (D. Kan. Mar. 22, 2024) (finding no privilege where attorney made comments that did not require particular legal expertise).

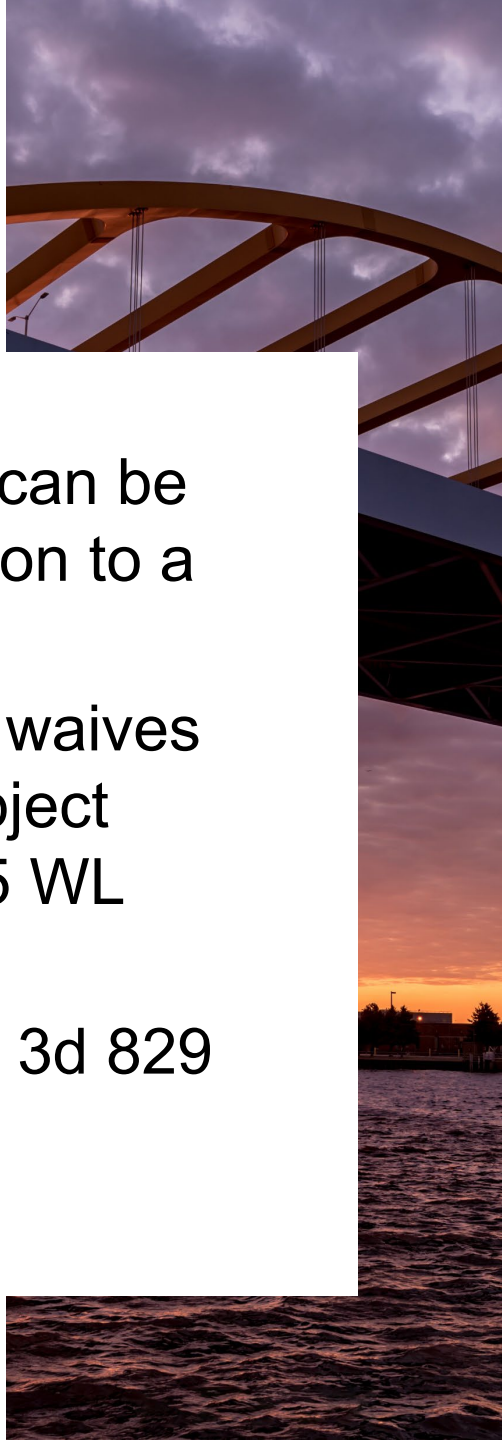
Is the Communication Actually Privileged?
Communications in the Presence of Third Parties



- **General Rule:** The attorney-client privilege does not extend to communications made in the presence of third parties because there is usually no reasonable expectation of privacy.

- **Recognized Exceptions:**
  - Agents or employees of the attorney or client, who are necessary for the consultation. *See, e.g., In re Grand Jury,* 705 F.3d 133 (3d Cir. 2012).
  - Certain communications between in-house counsel and consulting firms retained by counsel to assist the company in rendering legal advice. *Spectrum Dynamics Med. Ltd. v. Gen. Elec. Co.,* 2023 WL 5348869 (S.D.N.Y. Aug. 21, 2023).

Have You Waived the Privilege?
What Constitutes Waiver



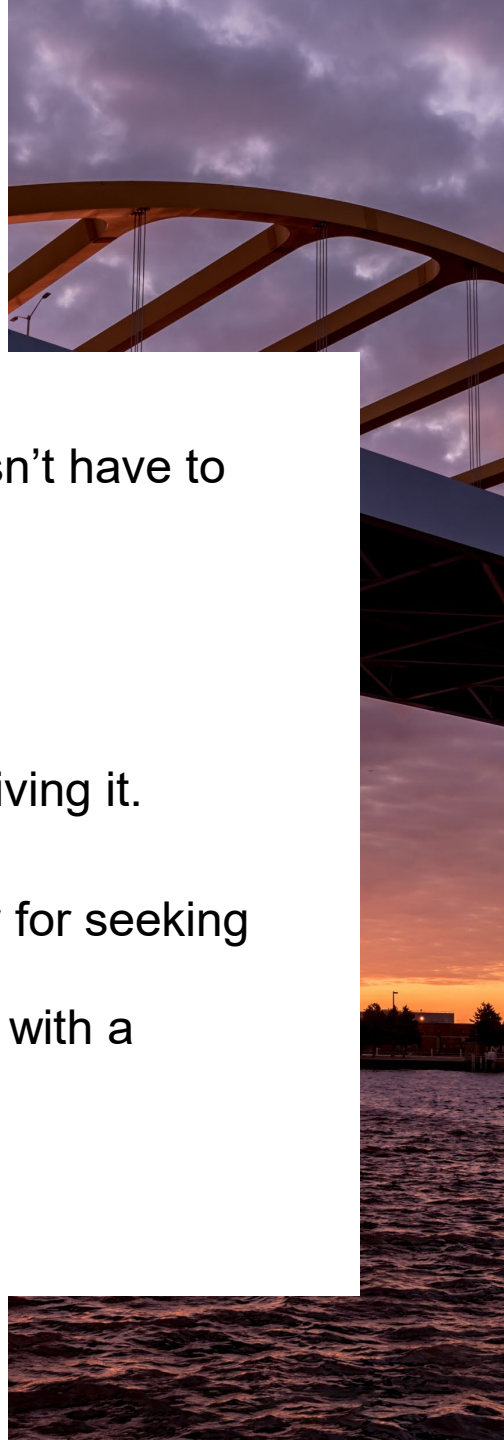
- Even if a document or communication is privileged, the privileged can be waived through voluntary disclosure of the privileged communication to a third party.
- **Remember:** "When a party waives the attorney-client privilege, it waives the privilege as to all communications that pertain to the same subject matter of the waived communication." *Nester v. Textron, Inc.*, 2015 WL 1020673 (W.D. Tex. Mar. 9, 2015).
- **Waiver Horror Story:** *Wadler v. Bio-Rad Labs*., Inc., 212 F. Supp. 3d 829 (N.D. Cal. 2016).

Privilege Dos and Don’ts

- **DO** make it clear when you are seeking or providing legal advice. While the e-mail doesn’t have to say this specifically to protect the privilege, it helps.
- **DON’T** assume an e-mail is protected by putting a “privileged” label on it.

- **DO** avoid mixing business and legal discussions, if possible.
- **DON’T** assume an e-mail is privileged just because in-house counsel is sending or receiving it.

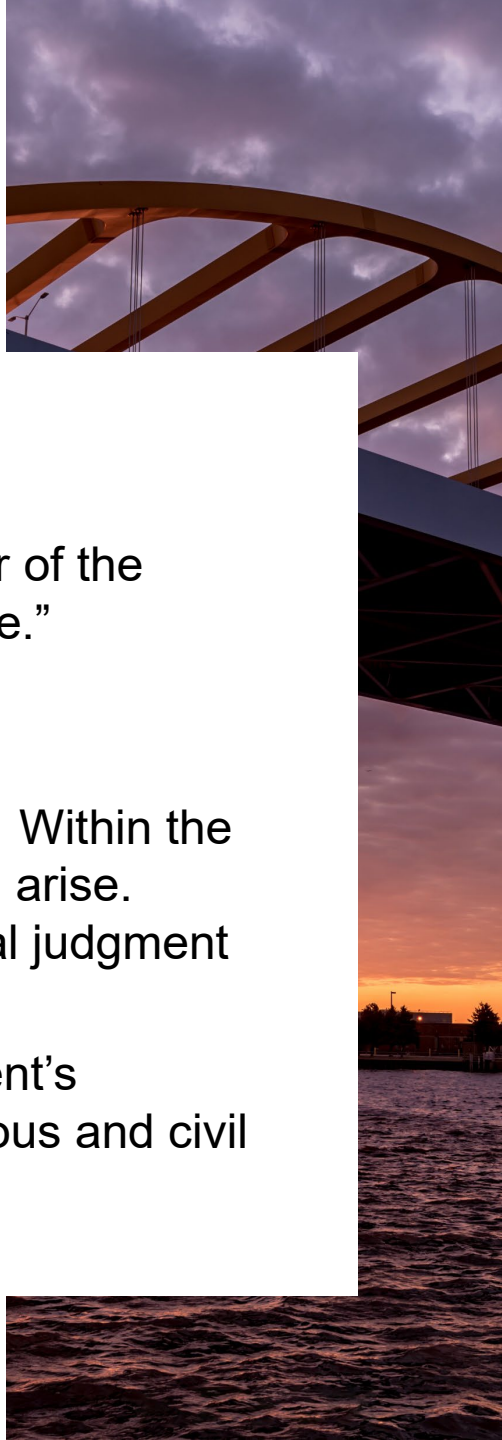
- **DO** consider whether the presence of a third party (such as an accountant) is necessary for seeking or providing legal advice. If not, the communications may not be privileged.
- **DON’T** send e-mails to third parties unless necessary. Forwarding an e-mail discussion with a general counsel to a third party may destroy the privilege**.**



FOLEY & LARDNER LLP

Ethics of Negotiation

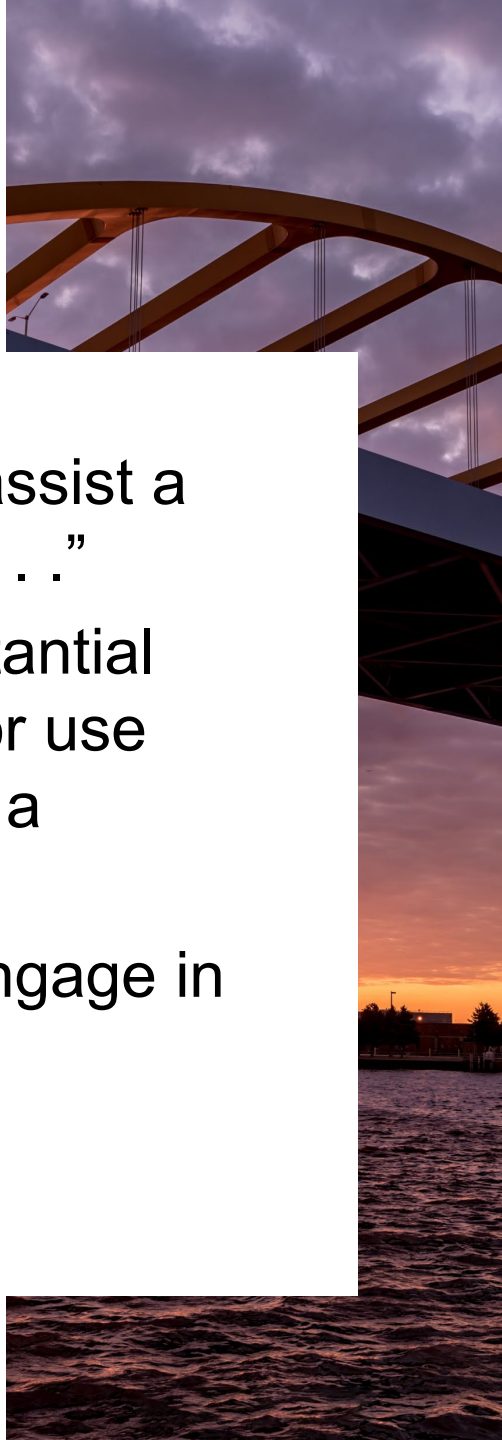
A Lawyer's Responsibilities



- Preamble
  - "A lawyer, as a member of the legal profession, is a representative of clients, an officer of the legal system and a public citizen having a special responsibility for the quality of justice."
  - "As negotiator, a lawyer seeks a result advantageous to the client but consistent with requirements of honest dealings with others."
  - "The Rules of Professional Conduct often prescribe terms for resolving such conflicts. Within the framework of these rules, however, many difficult issues of professional discretion can arise. Such issues must be resolved through the exercise of sensitive professional and moral judgment guided by the basic principles underlying the rules."
  - "These principles include the lawyer's obligation zealously to protect and pursue a client's legitimate interests, within the bounds of law, while maintaining a professional, courteous and civil attitude toward all persons involved in the legal system."

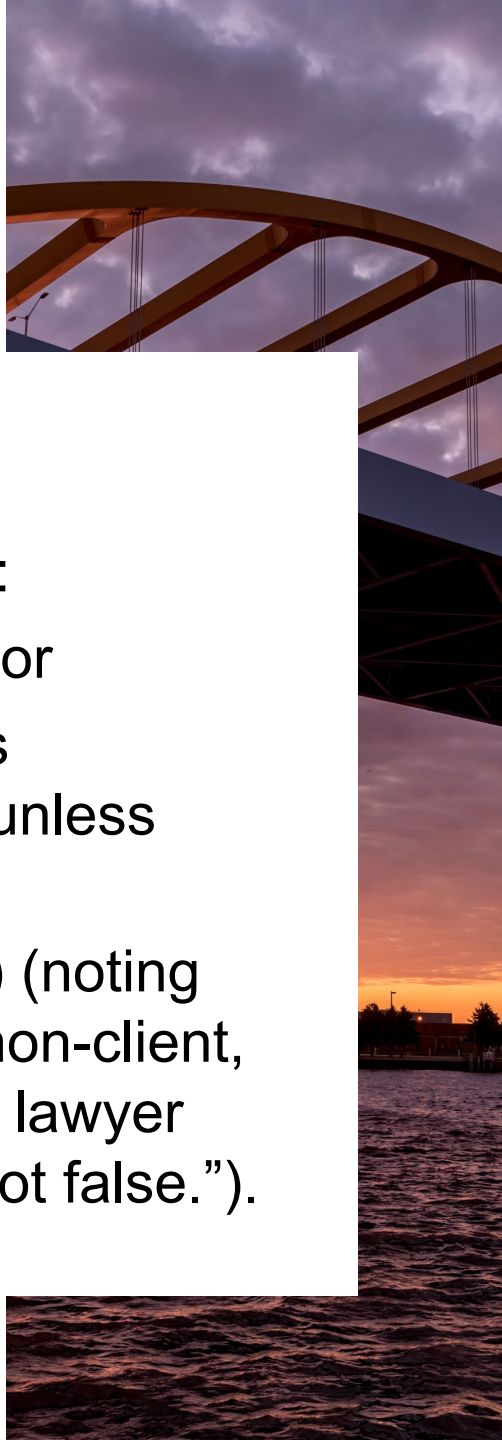
The Rules – Don’t Do Bad Stuff

- SCR 20:1.2(d): “A lawyer shall not counsel a client to engage, or assist a client, in conduct that the lawyer knows is criminal or fraudulent . . . .”
- SCR 20:4.4(a): “[a] lawyer shall not use means that have no substantial purpose other than to embarrass, delay, or burden a 3rd person, or use methods of obtaining evidence that violate the legal rights of such a person.”
- SCR 20:8.4(c): “It is professional misconduct for a lawyer to . . . engage in conduct involving dishonesty, fraud, deceit or misrepresentation.”



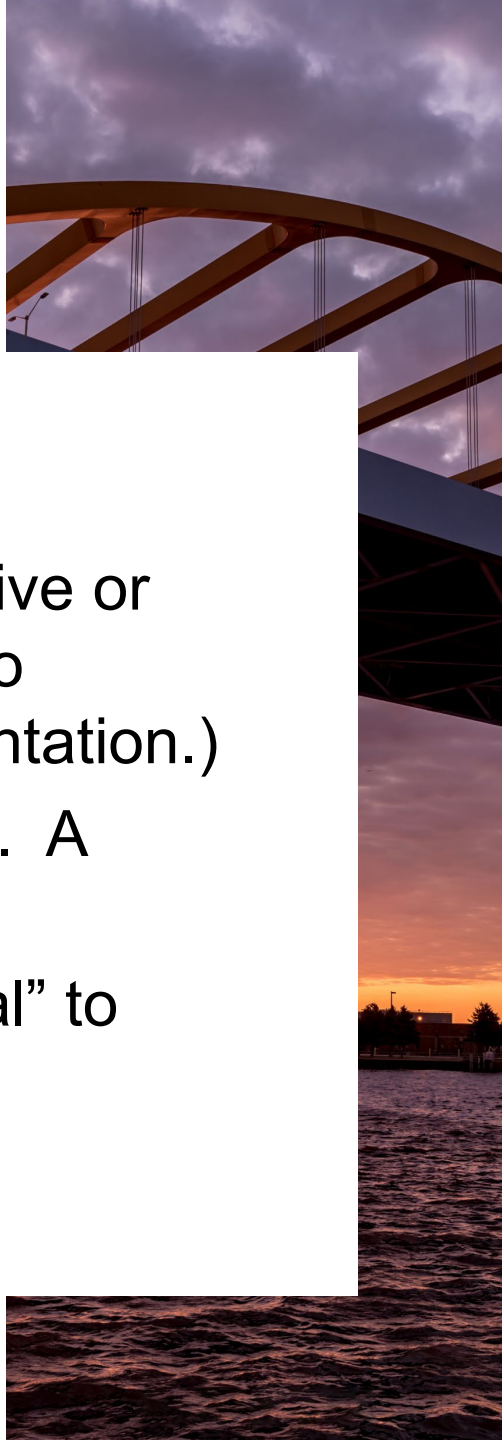
The Rules – Don’t Lie

- SCR 20:4.1 – Truthfulness in Statements to Others:
  - (a) In the course of representing a client a lawyer shall not **knowingly**:
    - (1) make a **false statement** of **material fact** or law to a 3rd person; or
    - (2) fail to disclose a material fact to a third person when disclosure is necessary to avoid assisting a criminal or fraudulent act by a client, unless disclosure is prohibited by SCR 1.6.
  - Restatement (Third) of the Law Governing Lawyers § 98 cmt. c (2000) (noting that if lawyer is “constrained from conveying specific information to a non-client, for example due to confidentiality obligations to the lawyer’s client, the lawyer must either make no representation or make a representation that is not false.”).

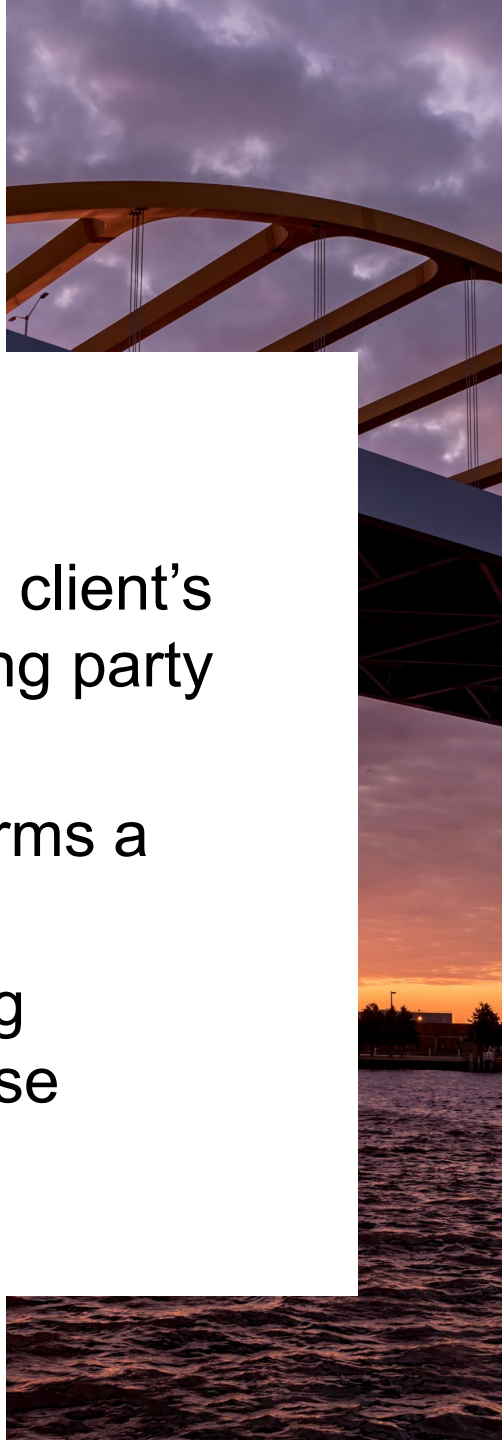


What Does Rule 4.1 Actually Mean

- Definitions (SCR 20:1.0)
  - **Fraud:** "[D]enotes conduct that is fraudulent under the substantive or procedural law of the applicable jurisdiction and has a purpose to deceive." (Definition necessarily excludes negligent misrepresentation.)
  - **Knowingly:** "[D]enotes actual knowledge of the fact in question. A person's knowledge may be inferred from circumstances."
  - **Material:** Not defined by the Rules. Rules do define "substantial" to mean "a material matter of clear and weighty importance."



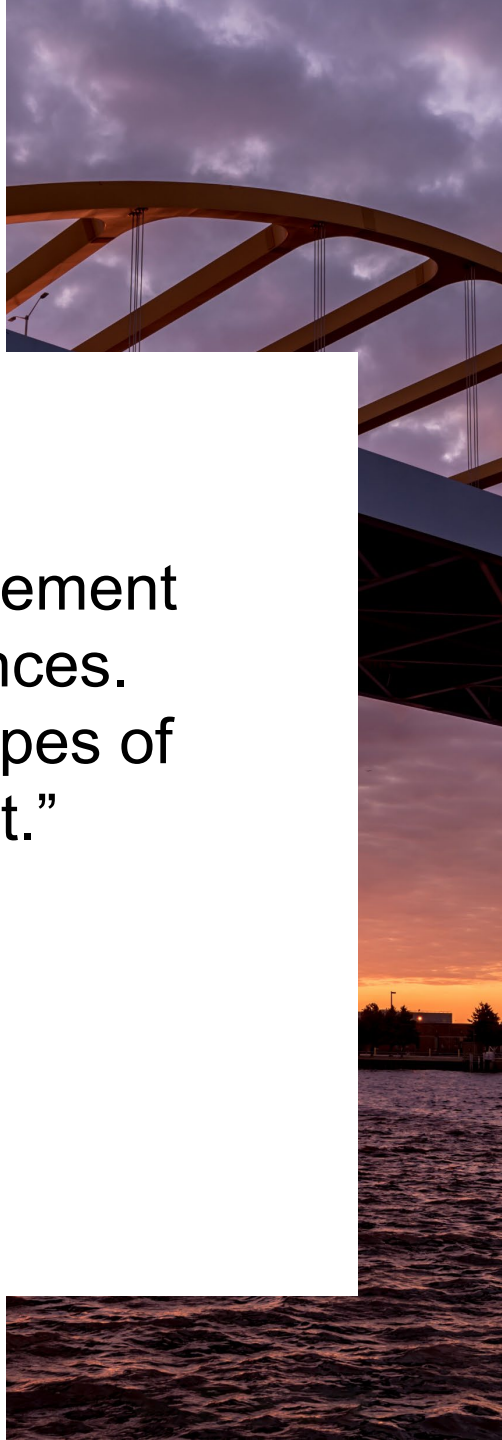
What Does Rule 4.1 Actually Mean (Continued)



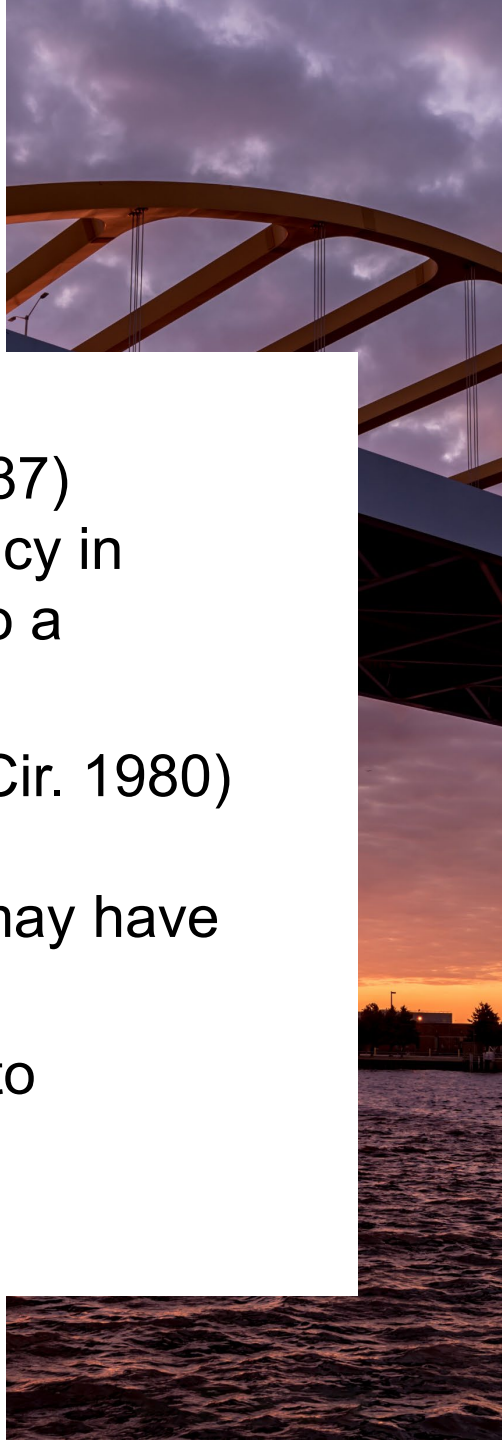
- Comment 1 to SCR 20:4.1
  - "A lawyer is required to be truthful when dealing with others on a client's behalf, but generally has no affirmative duty to inform an opposing party of relevant facts."
  - "A misrepresentation can occur if the lawyer incorporates or affirms a statement to another person that the lawyer knows is false."
  - "Misrepresentation can also occur by partially true but misleading statements or omissions that are the equivalent of affirmative false statements."

What Does Rule 4.1 Actually Mean (Continued)

- Comment 2 to SCR 20:4.1
  - "This Rule refers to statements of fact. Whether a particular statement should be regarded as one of fact can depend on the circumstances. Under generally accepted conventions in negotiations, certain types of statements ordinarily are not taken as statements of material fact."
    - Estimates of price or value;
    - A party's intentions as to an acceptable settlement of a claim;
    - Strengths of factual or legal position.



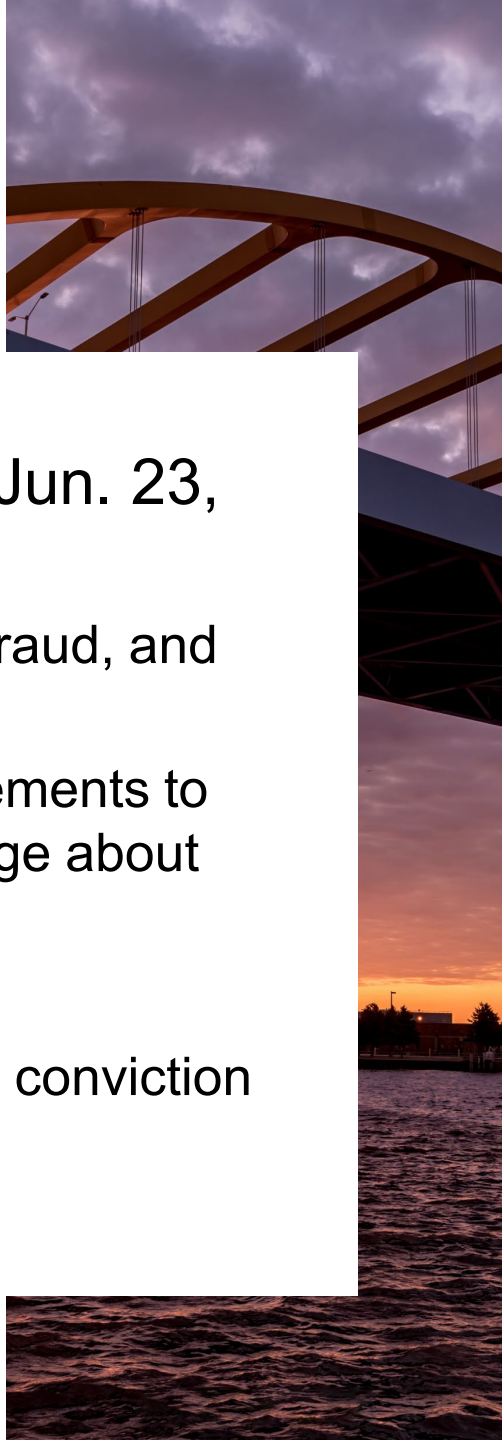
Fraud v. Zealous Advocacy – Where Do Courts Draw the Line?



- *State ex rel. Neb. State Bar Ass'n v. Addison*, 412 N.W.2d 855 (Neb. 1987) (holding an attorney's failure to disclose existence of third insurance policy in negotiating release of hospital lien in a personal injury case amounted to a fraudulent omission).
- *Kerwit Med. Prods., Inc. v. N. & H. Instruments, Inc.*, 616 F.2d 833 (5th Cir. 1980) (finding in a patent infringement case that plaintiff's failure to disclose in settlement negotiations that a product in general use for several years may have rendered the patent at issue invalid was not fraudulent).
- *In re Warner*, 851 So. 2d 1029 (La. 2003) (disciplining lawyer for failing to disclose death of client prior to settlement of personal injury action).

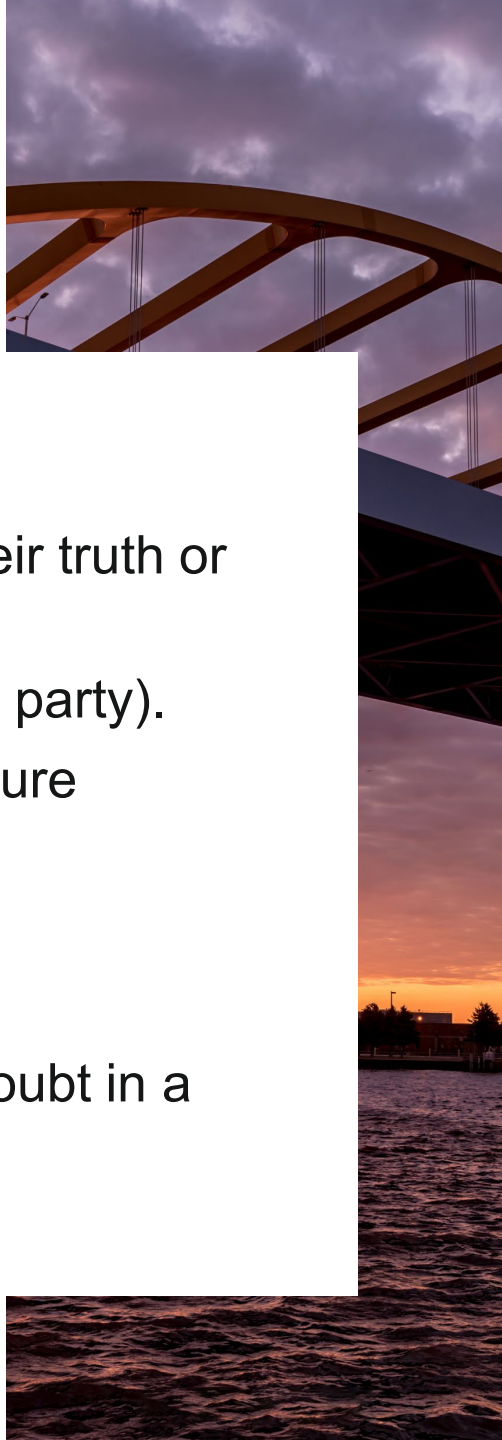
Other Perils in Negotiations

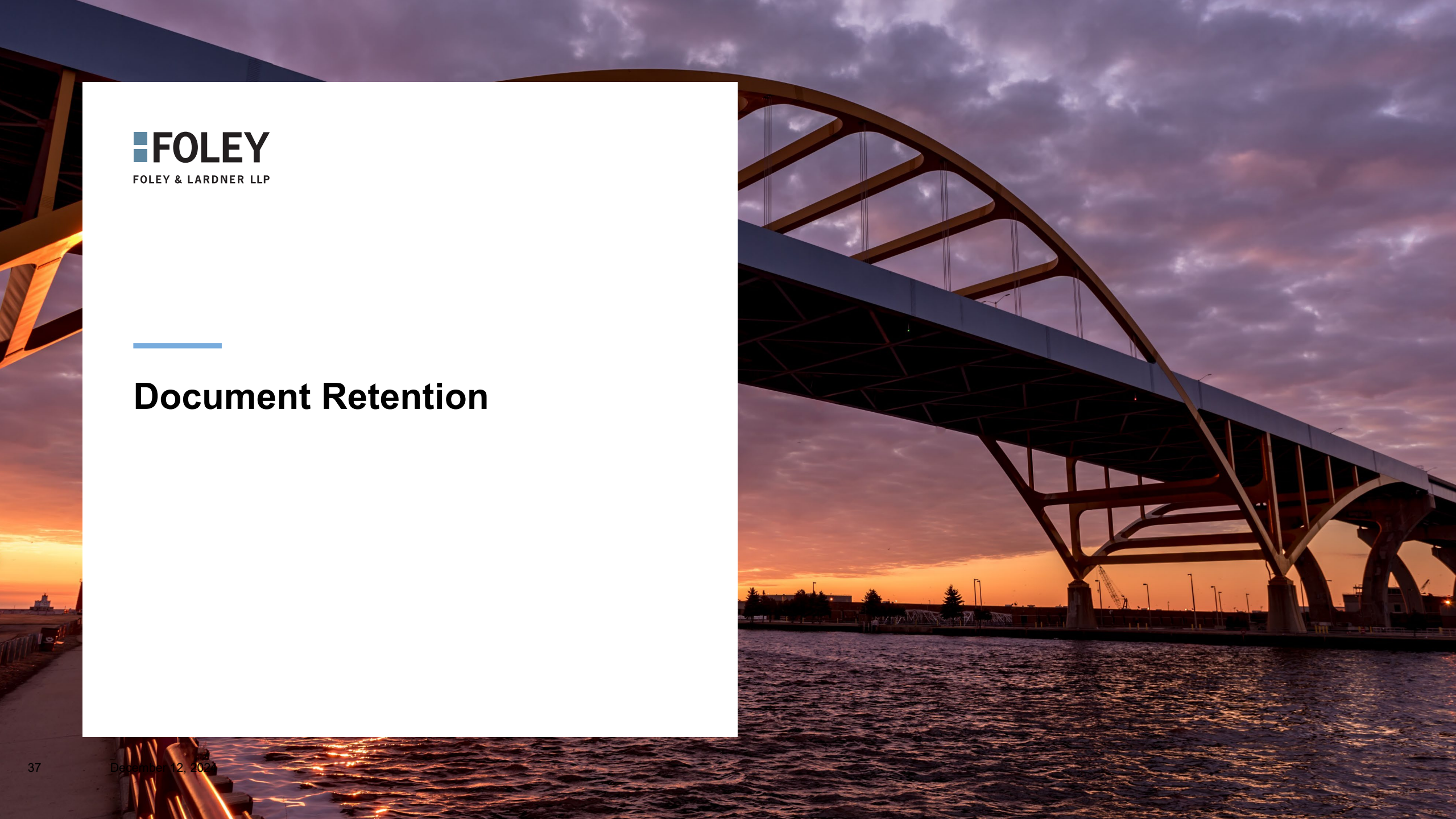
- *United States v. Robert Menendez*, 1:23-cr-00490-SHS (S.D.N.Y. Jun. 23, 2024).
  - In 2024, U.S. Senator Robert Menendez was convicted of bribery, extortion, fraud, and obstruction of justice after a two-month trial.
  - During pre-indictment proffer, Menendez's former counsel made several statements to prosecutors about his client's conduct, including Menendez's lack of knowledge about certain payments, which were reflected in the PowerPoint presentation.
    - This information was inaccurate and offered into evidence at trial.
  - Based on counsel's statements and presentation, prosecutors also secured a conviction for conspiracy to commit obstruction of justice and obstruction of justice.



Negotiation Takeaways

- No misrepresentations about material facts.
- Careful not to repeat facts from your client if you lack personal knowledge of their truth or falsity; you are on the hook!
- No affirmative disclosure obligations (at least when dealing with a sophisticated party).
- But be careful of misleading or incomplete statements that give rise to a disclosure obligation.
- “Puffing” is ok.
- “Bluffing” about your negotiation or settlement position is ok.
- Courts hold lawyers to a higher standard; you will never get the benefit of the doubt in a dispute or disciplinary action.





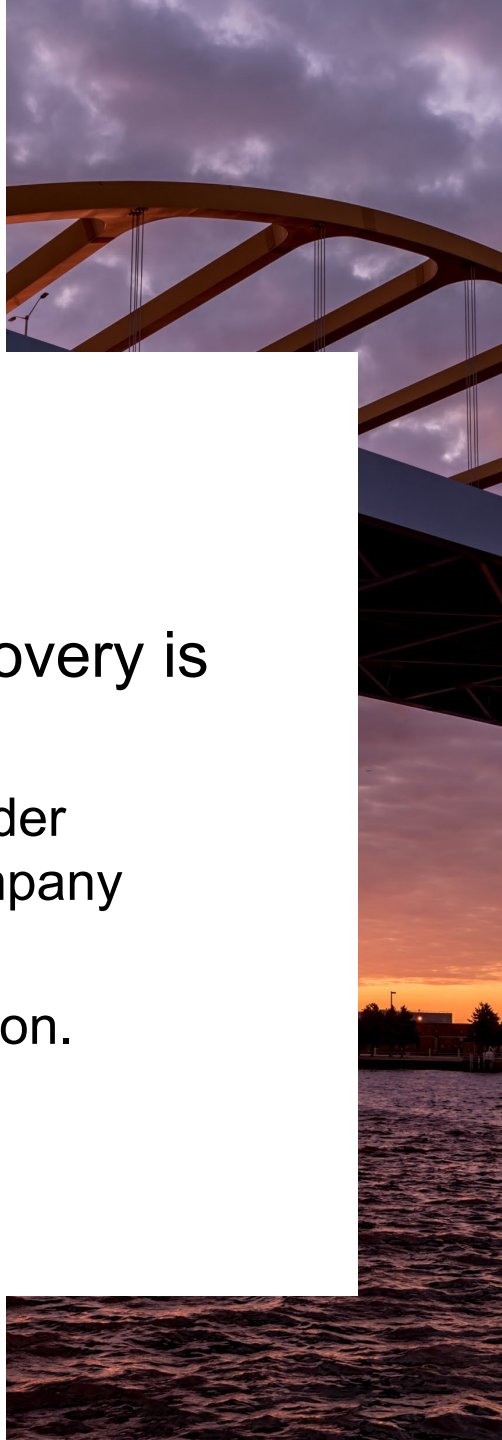
FOLEY & LARDNER LLP

Document Retention

We’ve Got 30 Years of Files Right Here in This Computer!

The Scope of ESI

- We live in a world of electronically-stored information (“ESI”).
  - Over **100 billion emails** sent and received per day.
- The magnitude of electronic data that needs to be handled in discovery is staggering.
  - PCs on the desks of most workers, company-related data, accounting and order information, personnel information, a potential for several databases and company servers, an email server, backup tapes, etc.
  - A typical medium-size company will easily have several terabytes of information.



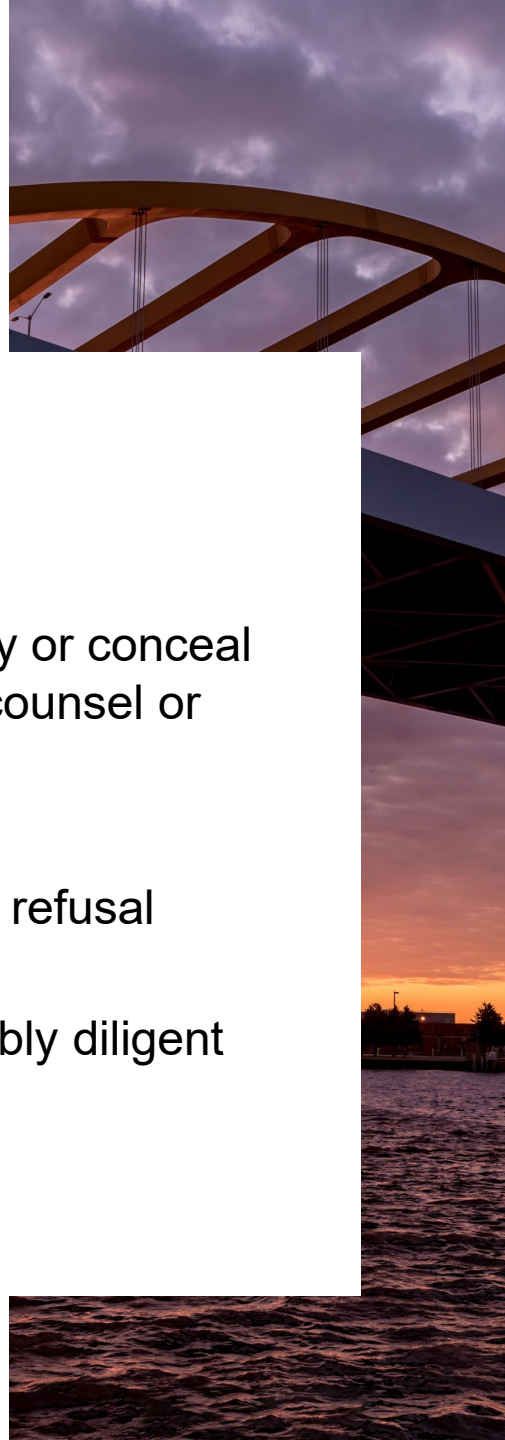
Duty to Preserve ESI

- SCR 20:3.4 – Fairness to Opposing Party and Counsel
  - A lawyer shall not:
    - (a) unlawfully obstruct another party's access to evidence or unlawfully alter, destroy or conceal a document or other material having potential evidentiary value. A lawyer shall not counsel or assist another person to do any such act;

    …

    - (c) knowingly disobey an obligation under the rules of a tribunal, except for an open refusal based on an assertion that no valid obligation exists;
    - (d) in pretrial procedure, make a frivolous discovery request or fail to make reasonably diligent effort to comply with a legally proper discovery request by an opposing party;

    …

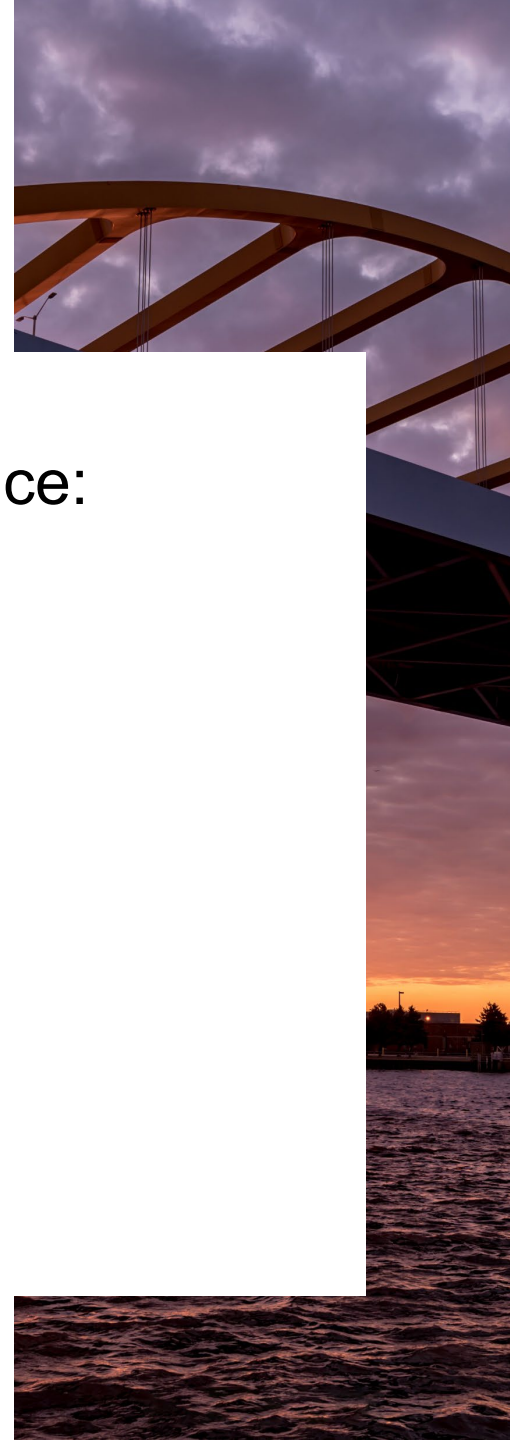


Duty to Preserve ESI (Continued)

- Duty is triggered once a party “reasonably anticipates” litigation.
  - Often occurs prior to the filing of a suit.
  - Also applies to investigations or other inquiries.
- This is an objective standard.
- Requires a party to suspend its routine document retention or destruction policy and ensure preservation of relevant documents.

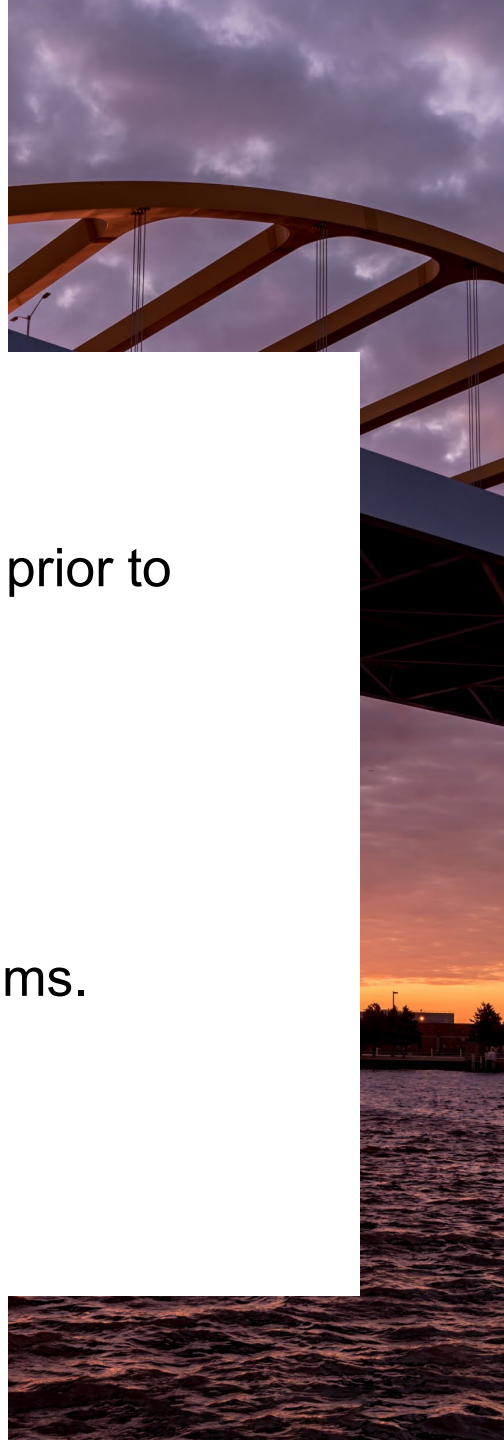
Failure to Preserve

- Serious consequences for failure to maintain and preserve evidence:
  - Disciplinary actions
  - Monetary sanctions & costs
  - Adverse inferences
  - Dismissal
  - Burden shifting
  - Recreation of evidence



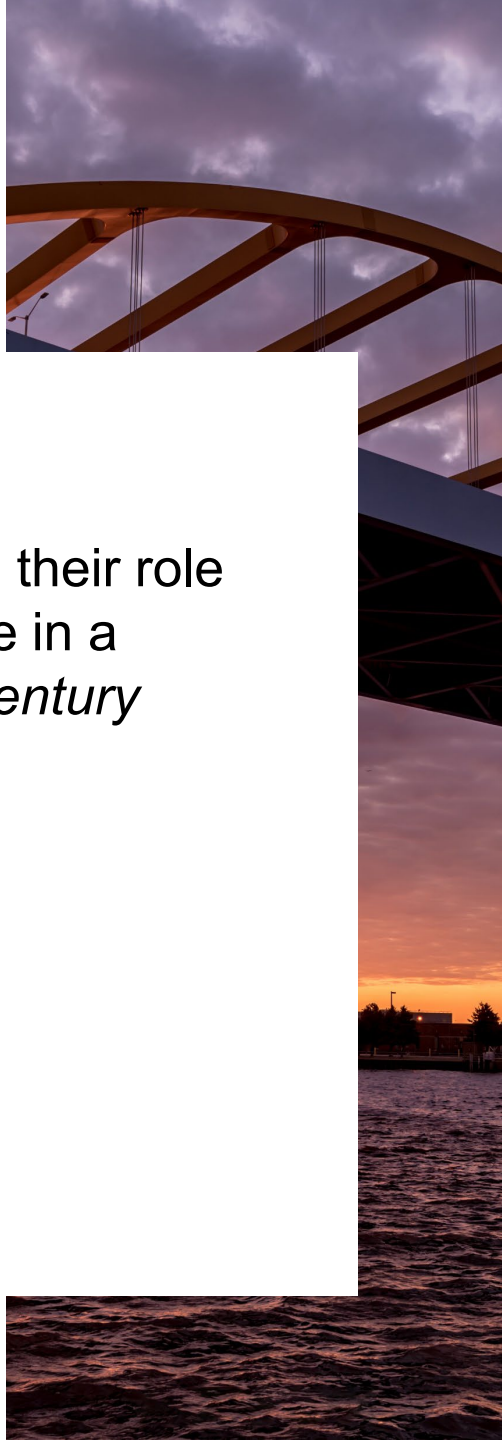
Initial Steps

- Contact IT immediately!
  - Preferable to secure all possible channels of information from the admin side prior to notification of candidates.
- Identify key custodians and issue an appropriate litigation hold.
  - Time is of the essence: You can always add other custodians later.
- Identify non-custodial data sources.
  - Consider separate hold notice to IT Department that addresses specific systems.



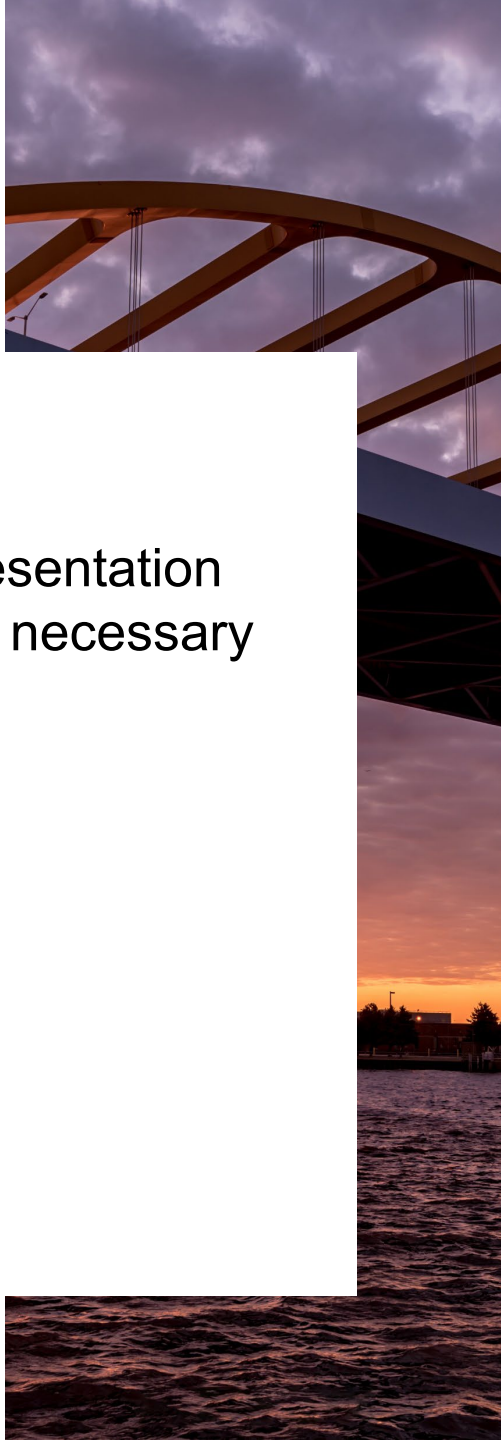
Ongoing Obligation to Preserve

- The duty to preserve is not a static obligation.
  - "Counsel cannot simply issue a litigation hold and assume they are done with their role in preserving ESI. They must continue to monitor and supervise or participate in a party's efforts to comply with the duty to preserve." *DR Distribs., LLC v. 21 Century Smoking, Inc.*, 513 F. Supp. 3d 839 (N.D. Ill. 2021).
- What this means in practice:
  - Calendar periodic reminders;
  - Determine if additional custodians should be added;
  - Determine if additional data sources should be captured;
  - Consider impact of discovery requests on scope of the hold.



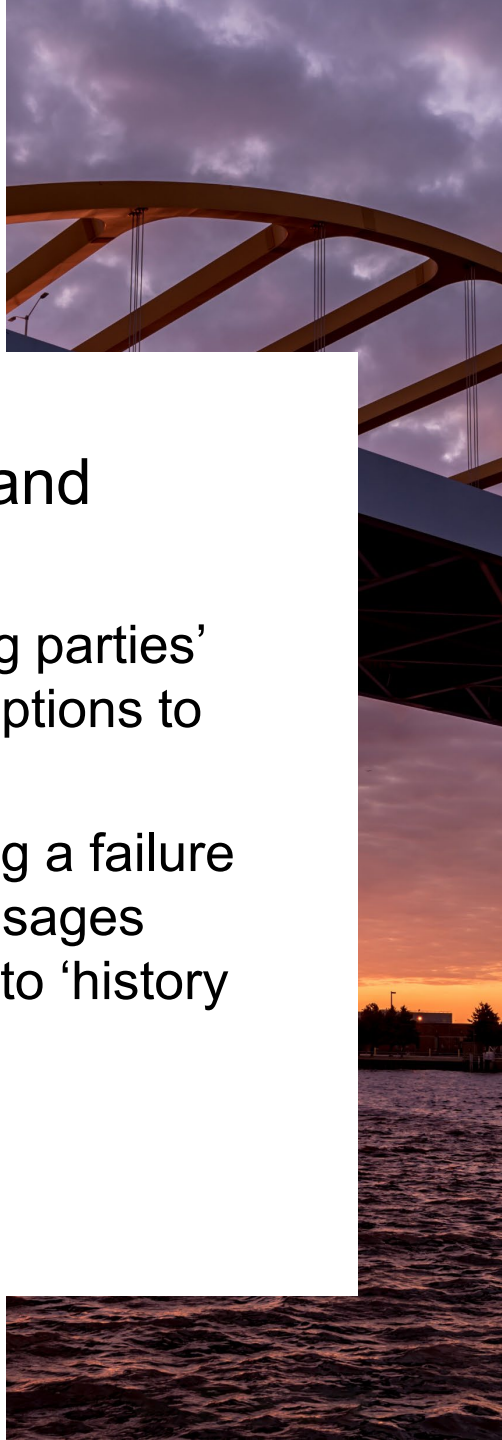
Ethical Duty to Understand ESI Preservation

- SCR 20:1.1 – Competence
  - "A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation."
- How does this duty apply to ESI preservation?
  - Know your business and reporting structure.
  - Understand your company's data environments.
  - Keep abreast of changes to electronic landscape.



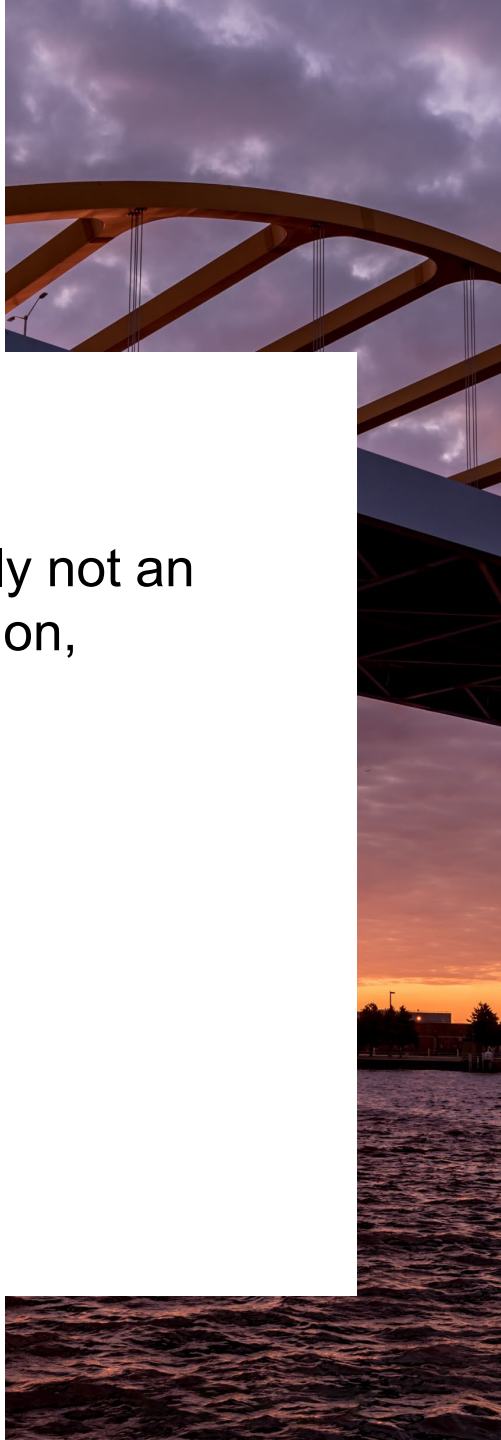
Preservation in the Modern Era

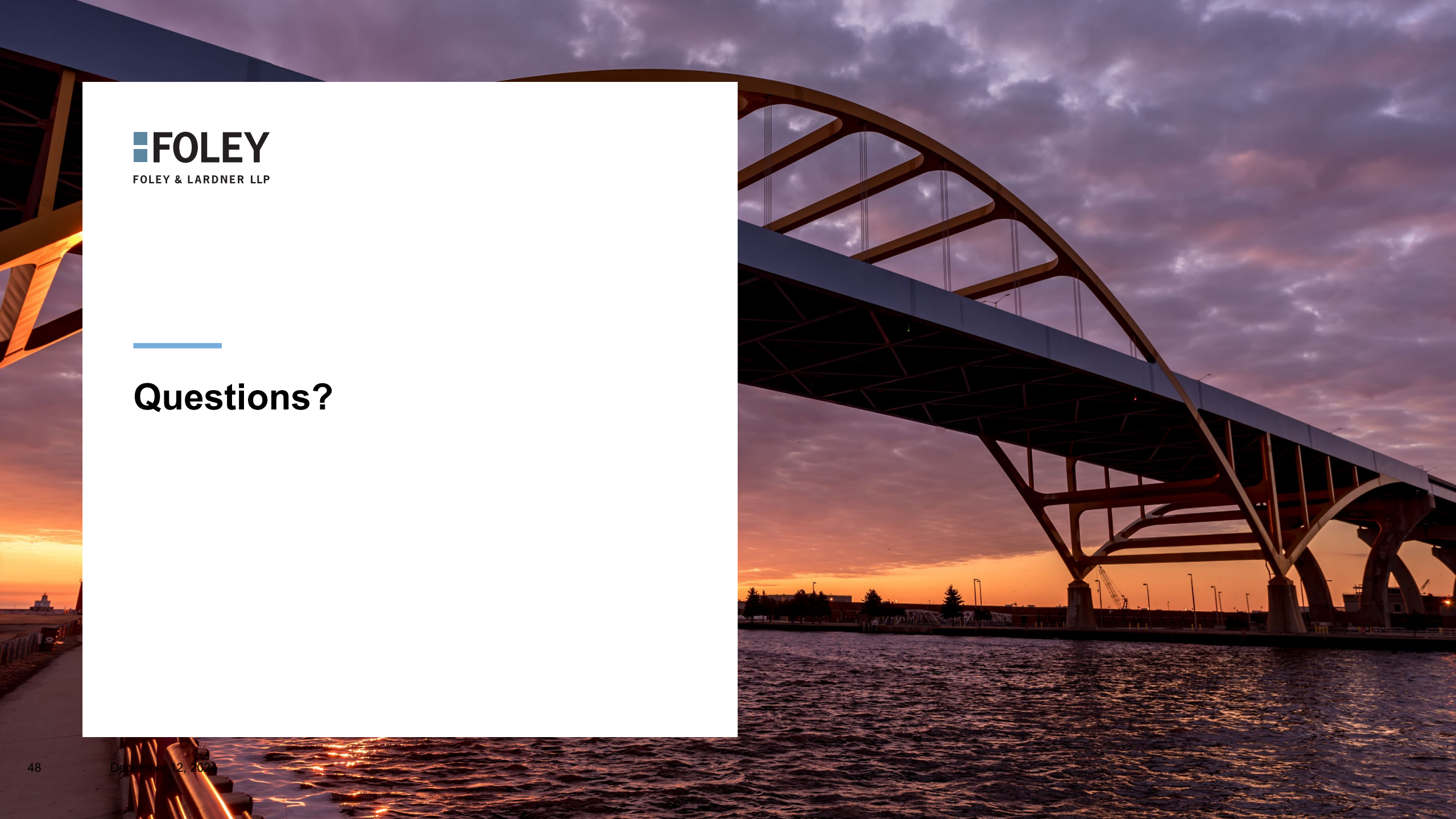
- Ensure that all relevant platforms are being preserved, including (and especially) cloud-based services and even AI software.
  - *Paisley Park Enters., Inc. v. Boxill,* 330 F.R.D. 226 (D. Minn. 2019) (discussing parties' failure to take reasonable steps when they did not use the "relatively simple options to ensure that their text messages were backed up to cloud storage").
  - *United States v. Google LLC*, 2024 WL 3647498 (D.D.C. Aug. 5, 2024) (finding a failure to preserve for "Google's long-time practice (since 2008) of deleting chat messages among Google employees after 24 hours, unless the default setting is turned to 'history on,' which preserves the chat").



Preservation in the Modern Era (Continued)

- Lack of tech savvy is not an excuse!
  - *Small v. Univ. Med. Ctr.*, 2018 WL 3795238 (D. Nev. Aug. 9, 2018) ("It is simply not an option to fail to learn how to address the technical issues related to preservation, collection, and production of ESI.").





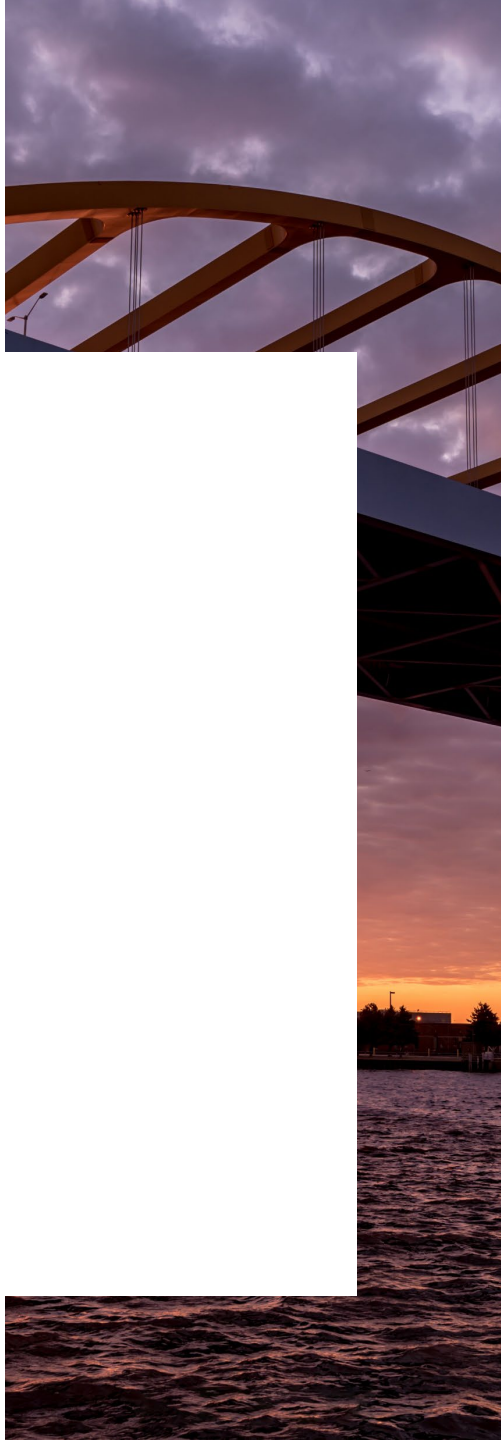
FOLEY

FOLEY & LARDNER LLP

Questions?

About Foley

Foley & Lardner LLP is a preeminent law firm that stands at the nexus of the Energy, Health Care & Life Sciences, Innovative Technology, and Manufacturing Sectors. We look beyond the law to focus on the constantly evolving demands facing our clients and act as trusted business advisors to deliver creative, practical, and effective solutions. Our 1,100 lawyers across 26 offices worldwide partner on the full range of engagements from corporate counsel to intellectual property work and litigation support, providing our clients with a one-team solution to all their needs. For nearly two centuries, Foley has maintained its commitment to the highest level of innovative legal services and to the stewardship of our people, firm, clients, and the communities we serve.



FOLEY

FOLEY & LARDNER LLP

FOLEY.COM