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The Art of Production

How to minimize risk when replying to a subpoena.

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THERE IS A TREND in recent decisions that affects the attorney-client privilege and work product protection long afforded inside counsel. The cases distinguishing between an inside lawyer's "legal work" and her "business" functions are being applied to the routine functions of gathering documents in response to subpoenas and issuing corresponding "litigation hold" notices. This article will describe the risk to inside counsel and outline a few simple steps to mitigate the risk.

We see issues when inside counsel take steps to preserve and produce information, especially electronically stored information, in response to subpoenas in civil and criminal cases. To control costs and concentrate resources, some companies have consolidated the process into an almost clerical function. That consolidation, however, spawns arguments that the tasks are no longer "lawyerly" and that, therefore, the process of holding and gathering documents should not be deemed "legal" and the memos reflecting the process should be discoverable. The same issues arise when outside lawyers are called in to do the work, but because outside legal resources generally are engaged to perform legal tasks like identifying and selecting responsive and privileged information, it is less likely that a court would describe what they are doing as not "legal" in nature.

BIGSTOCK

Theoretically, the same rules should apply to inside and outside counsel for purposes of applying the privilege or the exemption. See, e.g., *Hertzog, Calamari & Gleason v. Prudential Ins. Co.*, 850 F. Supp. 255 (S.D.N.Y. 1994); *United States v. Mobil Corp.*, 149 F.R.D. 533 (N.D. Tex. 1993). Recent efforts to distinguish between "legal" duties and the "business" functions that lawyers in corporations are increasingly asked to perform reflect the adversary's eye toward gaining access to otherwise privileged legal work for the company. These arguments draw upon evolving case law on what constitutes "legal work" and whether the gathering of documents is the mere "act of production" rather than a reflection of actual legal advice. Corporations seeking to invoke the attorney-client privilege over "communications made by an attorney who serves the corporation in a legal and business capacity…[must be able to] clearly demonstrate that the advice to be protected was given in a professional legal capacity." *Teltron Inc. v. Alexander*, 132 F.R.D. 394, 396 (E.D. Pa. 1990).

Attorney-Client Privilege Issues

In this light, consider a subpoena or request for production for documents and other tangible things. Typically in a large corporation, inside counsel will prepare a memorandum summarizing the information to be preserved, instructing employees not to destroy the information in these categories and to stop normal document preservation processes that would purge listed information, and establishing ground rules for the information to be gathered and reviewed by counsel. In many cases, paralegals or non-lawyers—increasingly IT techs—will be sent to gather the information for privilege and relevance reviews.

But now assume that questions are raised about the way information was described, gath-

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ered or preserved in response to the litigation hold memo. Litigation hold memos are generally considered privileged, *Kingsway Fin. Serv. Inc. v. PricewaterhouseCoopers LLP*, No.03-5560, 2006 WL 1520227, at *2 (S.D.N.Y. June 1, 2006), or work product, *Gibson v. Ford Motor Co.*, 510 F. Supp. 2d 1116, 1123-24 (N.D. Ga. 2007), but only if the party creating the document makes "an adequate showing that the letters include material protected under the attorney-client privilege or work-product doctrine." *Major Tours Inc. v. Colorel*, No. 05-3091, 2009 WL 2413631, at *2 (D.N.J. Aug. 4, 2009).

If these memos are sought, however, it may be difficult to satisfy the traditional tests. The categories of people notified of the subpoena are usually too broad to fit within the control group test of *Upjohn v. United States*, 449 U.S. 383 (1983), and the memos themselves are so widely distributed that they can hardly be called "confidential," often (intentionally) do not include legal advice, and do not fit neatly into the other elements of the work product exemption. Most of these concerns are softened if outside counsel has been engaged to provide advice on the subpoena, gather the documents and prepare the production, but if inside resources are used, the memos still may not be discoverable if appropriate precautions are taken.

But communications between an attorney and client that are of "primarily a business nature" are outside the scope of the privilege. See, e.g., *In re Omnicom Group Inc. Sec. Litig.*, 233 F.R.D. 400, 415 (S.D.N.Y. 2006) ("If the communication in question is intended to elicit business advice or commercial services by the lawyer or reflects only such advice or services, it is not within the scope of the privilege"). For example, in *Puckett v. Arvin/Calspan Field Serv.*, 787 F.2d 592, 1986 WL 16714, at **3-4 (6th Cir. 1986), the court concluded that an in-house lawyer who regularly participated in senior staff meetings was there "in an administrative capacity" and therefore that the attorney-client privilege did not apply to conversations that occurred in his presence during the meetings.

Similarly, in *Georgia Pacific Corp. v. GAF Roofing Mfg. Corp.*, No. 93-civ-5125, 1996 WL 29392, at **3-4 (S.D.N.Y. Jan. 25, 1996), the court held that in-house counsel negotiating certain provisions of a contract was acting in a business capacity and his communications were not covered by the attorney-client privilege. For different reasons, "[a] lawyer who functions as an investigator is not functioning as a lawyer and not entitled to assert the [attorney-client] privilege." *Rusnak v. Dollar Gen. Corp.*, 1:04-CV-00313, 2005 WL 2840740, at *1 (S.D. Ohio Oct. 28, 2005); cf. *Hardy v. New York News Inc.*, 114 F.R.D. 633, 644 (S.D.N.Y. 1987) (affirmative action plan documents addressed to counsel did not indicate that he requested or received them "in the capacity of a legal advisor and solely for the purpose of rendering legal advice to the corporation"). The rationale for all of these exceptions to the general rule according privilege to a lawyer's work was summed up by the court in *North Am. Mortgage Investors v. First Wisconsin Nat'l Bank of Milwaukee*, 69 F.R.D. 9, 11 (E.D. Wis. 1975): "For the privilege to exist, the lawyer must not only be functioning as an advisor, but the advice must be predominately legal, as opposed to business, in nature."

Work Product Doctrine

Distinct from the attorney-client privilege, the work product doctrine articulated by the Supreme Court in *Hickman v. Taylor*, 329 U.S. 495 (1947), now embodied in the federal rules, protects the theories, analysis and mental impressions of counsel working to advise a client in anticipation of litigation. The exemption from discovery accorded attorney work product is broader than the attorney-client privilege but less absolute; the exemption applies only to materials prepared in anticipation of litigation and does not protect the materials if the work product is the only place where information resides. "The doctrine is designed to allow an attorney to 'assemble information, sift what he considers to be relevant from the irrelevant facts, prepare his legal theories and plan his strategy without undue and needless interference…to promote justice and to protect [his] client's interests.'" *In re Columbia/HCA Healthcare Corp. Billing Practices Litigation*, 293 F.3d 289, 294 (6th Cir. 2002) (brackets in original) (quoting *Hickman*, 329 U.S. at 510). The work product exemption belongs to the attorney, a principle that applies even when the work product is physically in the hands of the client, although the traditional formulation of ownership has been questioned in recent decisions extending the power to waive the exemption to the client.

Under Federal Rule of Civil Procedure 26(b)(3), "if documents and other tangible things were prepared in anticipation of litigation by or for the other party or by or for the other party's representative," the materials are discoverable

> only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means.

In a different formulation, Federal Rule of Criminal Procedure 16(b)(2)(A) exempts "reports, memoranda, or other documents made by the defendant, or the defendant's attorney or agent, during the case's investigation or defense." The party seeking work product protection bears the burden to show the exemption is warranted, including whether the work product was prepared "in anticipation of litigation," a crucial element of the exemption. *In re Columbia/HCA Healthcare Corp.*, 293 F.3d at 294. (Although CPLR 3101(c) still provides for absolute protection of an attorney's work product, that provision is generally seen as vestigial in light of the adoption of CPLR 3101(d)(2), which largely tracks *Hickman*.)

Under the civil rules, even if a party is able to show substantial need and undue burden in order to obtain "fact work product," an attorney's "opinion work product" reflecting the attorney's mental impressions, opinions or legal theories, remains unobtainable, whether the attorney is inside or outside counsel. (The criminal rule does not, on its face, distinguish between the two types of work product.) But the *selection* of documents by an attorney may not fall within the exemption because "the work product doctrine does not extend to documents in an attorney's possession that were prepared by a third party in the ordinary course of business and that would have been created in essentially similar form irrespective of any litigation anticipated by counsel." See *United States v. Adlman*, 134 F.3d 1194, 1202 (2d Cir. 1998).

Back to our inside lawyer drafting her e-mail on document preservation—the "litigation hold" memo—to be sent to everyone who might have responsive documents. She knows that there

will be other documents created on the scope of preservation, directing that backup tapes be preserved, that certain people's files be searched, and that privilege and relevance be defined in particular ways. But for now, she is worried about mischaracterizing the subpoena. So she decides to attach the subpoena itself to a memo to be distributed to all those in the relevant division telling them that the subpoena has been served, that relevant documents must be preserved, and that the division employees will be contacted individually by someone from IT about gathering documents from their electronic and paper files. She knows that litigation hold letters are generally considered privileged and her work product.

But does she realize, for example, that the privilege and exemption are both put in jeopardy once spoliation has been alleged? See, e.g., *Major Tours Inc. v. Colorel*, 2009 WL 2413631 (citing *Keir v. Unumprovident Corp.*, 2003 WL 21997747, *6 (S.D.N.Y. Aug. 22, 2003); *Zubulake v. UBS Warburg LLC*, 229 F.R.D. 422, 425 nn. 15-16 (S.D.N.Y. 2004); *Cache La Poudre Feeds, LLC v. Land O'Lakes Inc.*, 244 F.R.D. 614, 634 (D. Colo. 2007). Or that the mere gathering of documents may not reflect legal work but is only an "act of production" that is not protected by the privilege or the exemption? *In re Grand Jury Subpoenas Dated March 19, 2002 & August 2, 2002*, 318 F.3d 379, 386-87 (2d Cir. 2003) (attorney's selection and compilation of documents must evidence attorney's thought processes to merit work product protection). The decision whether her memoranda will be protected may turn on the face of the memos and how they reflect her role as a lawyer. And if the protections are withdrawn for one memo, protections for the rest—reflecting much more of her work and her advice than the simple memo covering the rider—may be lost to a waiver argument that could reach the entire "subject matter."

Here is the kind of case that raises such concerns. *In Leazure v. Apria Healthcare Inc.*, No. 1:09-CV-224, 2010 WL 3895727 (E.D. Tenn Sept. 30, 2010), the defendant did not want to produce documents created by its inside lawyer that discussed which employees would be caught up in a proposed reduction in force. The court, considering the "applicability of the attorney-client privilege based on the role played by in-house counsel" in determining which employees would be subject to the reduction in force, found that it

> must consider the function an attorney is fulfilling at the time the document at issue is created. Documents created for an ordinary business purpose by an attorney functioning as a business advisor will not be considered as having been created in anticipation of litigation, even if one could foresee that the document would become relevant if litigation were eventually commenced.

The court then addressed the documents, many of which discussed the reasons for plaintiff's selection as the person to be terminated in the reduction in force, when the reduction should be executed, when plaintiff should be terminated, and how other employee disciplinary actions should be approached. While lawyers give this kind of advice all the time and were doing so here, the court found that, because "these types of considerations are part of the normal process of determining who is to be terminated in a [reduction in force] and when and how to carry out a [reduction in force]; they are normal HR functions."

There were two determining factors in the court's decision: "The documents submitted by Apria do not, *by themselves*, indicate [the lawyer's] role was one of a legal advisor, and *no affidavit has been submitted to explain or clarify her role*" (emphasis supplied). Because there was nothing on the face of the documents to show that the company was seeking specific legal advice and there was no evidence to show that the documents were created to memorialize legal advice as opposed to a financial or HR decision on whom to fire, the court put inside counsel into a business rather than a legal frame:

> It appears that [her] role was that of a business advisor and an active participant and decision-maker in the decision to terminate plaintiff. Based on my conclusion that [she] was not acting as a legal advisor in relation to the [reduction in force] and plaintiff's termination, and based on my conclusion that the documents at issue reflect ordinary business purposes when making a decision to terminate employment in a [reduction in force], I conclude neither the attorney-client privilege nor the work product doctrine applies to the [listed] documents.

How does our inside lawyer improve her chances of avoiding a similar fate when her memos are sought? *First*, draft an *Upjohn* letter from the client asking for legal advice on how to respond. *Second*, craft her memoranda to make clear that *she is acting as the company's lawyer in advising the employees* to preserve documents. *Third*, reference that her memo is prompted by something that means likely litigation for the company, either in the underlying case or in responding to the subpoena (which, by attaching the subpoena and rider, she arguably has done). *Fourth*, recite that she, or others acting at her direction, will help to determine if each recipient has documents and, if so, to fulfill the company's legal obligations for collecting and producing those documents. *Fifth*, document her preservation and collection efforts to reflect the legal judgments that she is making about where to search, whom to interview and what to produce.

Or call her outside counsel.