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J. Triplett Mackintosh

Kristen M. Angus

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J. TRIPLETT MACKINTOSH* AND KRISTEN M. ANGUS**

I. Introduction

The increased presence of U.S. companies in European markets has underscored a subtle—yet potentially important—conflict of laws. Attorney-client privilege and the work product doctrine are cornerstones of the U.S. legal system. Rationally, U.S. companies assume that the European Union, as a group of countries with a long tradition of sophisticated criminal and commercial laws, will have a corollary for these protections. Many U.S. firms discover all too late that this assumption is incorrect as European law either does not recognize or, at best, significantly limits these safeguards.

The problem is severe enough that the American Bar Association (ABA) is taking unprecedented steps to advocate change in the European legal system. The ABA Board of Governors recently approved efforts to find a case before the European Court of Justice in which to file an *amicus brief* advocating for greater protection of attorney-client privilege and the work product doctrine in the European Union.[1] A case filed in June against the E.U. Commission for Competition has garnered the attention of the ABA.[2] If the ABA files its case, it will mark the first time the ABA has filed an *amicus brief* in a court outside the United States.[3]

This article outlines the disparate treatment attorney-client privilege and the work product doctrine receive under U.S. and E.U. law. The authors suggest protocols that a

*J. Triplett Mackintosh is a partner at Holland & Hart, LLP in Denver, Colorado, where he specializes in federal regulation of international business and white collar criminal defense. His practice includes defense and counseling of multinational corporations and individuals facing prosecution under a variety of anti-terrorist measures, including controls on technology exports and transactions. Mr. Mackintosh holds a J.D. from Georgetown University Law Center (1986); an M.A. from the University of Denver Graduate School of International Studies (1983); and a B.A. from Regis University (1978).

**Kristen M. Angus is an associate in the International Trade & Compliance group at Coudert Brothers LLP in Washington D.C. Ms. Angus received her J.D. from the University of Denver College of Law in 2000. While there she was Editor-in-Chief of the Denver University Law Review. She received her B.B.A. in International Business from the University of Oklahoma in 1993.

1. Chris Lombardi, *Preserving Privilege*, 89 A.B.A. J. 70 (2003).
2. *Id.*
3. *Id.*

multi-national company could apply to minimize exposure from this disparity. Looking at the positive side of this conflict, the authors highlight areas of inquiry for international litigants who may want to take advantage of this disparity.

A. The Problem Illustrated

U.S. protections relative to work by attorneys emanate from two areas of law: attorney-client privilege in the law of evidence[4] and confidentiality in professional ethics.[5] In Europe, the European Commission's decision in *AM & S* gave effect to principles of confidentiality in the European Community.[6] The law created by this decision was codified in the Code of Conduct for Lawyers in the European Community (CCBE Code)[7] and the Lawyer Services Directive.[8] While confidentiality protections exist in both the United States and the European Union, the scope of the protections differs significantly. Simply put, in-house counsel enjoy the attorney-client privilege in the United States.[9] In the European Union, they do not, which presents some unique problems.[10]

Consider the possible impact of this disparity: if an American pharmaceutical company contemplated acquiring a European drug manufacturer, the normal course of practice for the U.S. firm would be to have in-house counsel participate in evaluations of the target, discussions with business executives, review of confidential documents and other aspects of due diligence. As part of this effort, in-house counsel would research the target's compliance history, conducting an investigation to ensure the acquisition has complied with applicable regulations. Assume that in the course of this investigation counsel identifies and reports to the company's board possible violations of E.U. competition law, the board weighs the risks, but proceeds with the acquisition nonetheless.

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4. The source of attorney-client privilege is Rule 501 of the Federal Rules of Evidence. Rule 501 provides:

> Except as otherwise required by the Constitution of the United States or provided by Act of Congress or in rules prescribed by the Supreme Court pursuant to statutory authority, the privilege of a witness, person, government, State, or political subdivision thereof shall be governed by the principles of the common law as they may be interpreted by the courts of the United States in the light of reason and experience. However, in civil actions and proceedings, with respect to an element of a claim or defense as to which State law supplies the rule of decision, the privilege of a witness, person, government, State, or political subdivision thereof shall be determined in accordance with State law.

FED. R. EVID. 501.

5. *See* MODEL RULES OF PROF'L CONDUCT R. 1.6 (1983).

6. Case 155/79, AM & S Europe Ltd. v. Comm'n of the European Cmtys., 1982 ECJ CELEX LEXIS 1580, *19 (1982); *see also infra* notes 36-40 and accompanying text. In 1993, the European Community became the European Union. There are currently fifteen members of the European Union. They are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom. Ten more countries will join in 2004. These countries are: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.

7. *See* Laurel S. Terry, *An Introduction to the European Community's Legal Ethics Code Part I: An Analysis of the CCBE Code of Conduct*, 7 GEO. J. LEGAL ETHICS 1 app. B at 63 (1993) (providing a reprint of the entire CCBE Code).

8. Council Directive 77/249, art. 57-66, 1977 O.J. (L78) 17. With respect to national laws, the European Union Member States recognize varying degrees of privilege. This article addresses privilege only with respect to pan-European legal issues, like the supra-national anti-competitive law.

9. *See* Upjohn Co. v. United States, 449 U.S. 383 (1981).

10. *See AM & S Europe Ltd.*, 1982 ECJ CELEX LEXIS 1580, at *19. For a brief and recent discussion of some of these problems, see Lombardi, *supra* note 1.

Next, assume that the European Commission institutes an investigation into the transaction. In this subsequent investigation, the Commission requests all pertinent documents, including in-house counsel's report and related communications. The U.S. firm learns (all too late) that in-house counsel does not enjoy attorney-client privilege in the European Union and the report—prepared under the assumption of confidentiality—is part of the record considered by the Commission. The Commission then determines that the company has violated E.U. competition law. The in-house counsel report provides the Commission with evidence that the U.S. firm *knew* it was in violation of those laws when it pursued the acquisition. Consequently, the Commission enhances the penalty imposed on the company.

This scenario is illustrative of the potential problem. Notably, it is not hypothetical—it is based on reported European Commission action in which the European Union assessed enhanced penalties against John Deere as a result of the Commission's review of information contained within in-house counsel communications—communications the company assumed were confidential and protected from disclosure. The result was an enhanced penalty of 2,000,000 ECU (approximately U.S.$2,400,000).[11]

This Commission action pushed to the forefront the real and significant impact of the lack of reciprocal attorney-client privileges between the United States and the European Union. The potential ramifications can be more significant than an increased penalty from a European regulatory body. U.S. antitrust regulators and private litigants conceivably could take advantage of discovery obtained by the European Commission and create unexpected consequences for a U.S. company. Further, some litigants may assert that even without European Commission action, a U.S. firm operating in the European Union will have effectively waived—with regard to all third-parties—any privilege that might have applied to in-house communications regarding pan-European legal issues.

This article provides a framework for analysis of this problem and its likely ramifications for companies and their counsel. Section II provides a background on confidentiality laws including attorney-client privilege and codified rules of professional ethics in the United States and the European Union, and outlines conditions under which privileges can be asserted and waived. Section III discusses two decisions from the European Commission in which the Commission used in-house counsel communications against the interest of the investigated entities, first in finding violations of law and then in imposing enhanced damages. Section IV discusses cases in the United States where discovery of in-house communications has been sought under foreign no-privilege rules. The last section applies the discussion to problems presented by parallel proceedings and internal investigations. This section provides basic arguments counsel may assert to protect privileged communications in light of E.U. confidentiality laws. In the alternative, this section outlines issues litigants or regulators may consider when trying to take advantage of the E.U. laws to obtain discovery of otherwise privileged information.

II. Confidentiality

Confidentiality is "the state or quality of being confidential; treated as private and not for publication."[12] Confidential communications are communications "made under

11. Commission Decision 85/79, art. 85, 1984 O.J. (L 35) 58. *See also infra* notes 128-137 and accompanying text. At the time of the *John Deere* decision, two million ECUs were worth approximately 2.4 million U.S. Dollars.

12. BLACK'S LAW DICTIONARY 298 (6th ed. 1990).

circumstances showing that [the] speaker intended [the] statement only for [the] ears of [the] person addressed."[13] Privileged communications include those between "spouses, physician-patient, attorney-client, [and] confessor-penitent."[14] "[T]he oldest of the privileges for confidential communications" is that of attorney-client.[15]

The attorney-client privilege is recognized to promote open and uninhibited consultation with lawyers, this communication being widely regarded as providing a significant benefit to society.[16] To facilitate the smooth functioning of a society governed by law, its citizenry needs to know the law. The ability to consult with an attorney makes this possible.[17] To ensure that such consultation will happen, it is widely accepted that citizens need, at a minimum, assurance that consultation with counsel will not result in greater liability.[18] As a cornerstone for a civilization founded on the rule of law, the attorney-client privilege is one of the oldest and most recognized of privileges.[19]

The utility of the attorney-client privilege, however, is not without dispute.[20] The privilege can serve to suppress information necessary for the fair administration of justice. As a result, the attorney-client privilege has been described as "not only a principle of privacy, but also a device for cover ups."[21] In promoting legal consultation under a veil of confidentiality, the privilege directly conflicts with the truth seeking function of the judicial system.[22] This tension between the importance of legal consultation and the perception that the attorney-client privilege serves as a shelter for the guilty has created a long debate as to the appropriate boundaries of the privilege.[23]

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13. *Id.* at 1198.

14. *Id.*

15. JOHN HENRY WIGMORE, A TREATISE ON THE ANGLO-AMERICAN SYSTEM OF EVIDENCE IN TRIALS AT COMMON LAW § 2290 (1940). Wigmore traces attorney-client privilege to Elizabethan times, when, in 1577, a solicitor was exempted from offering testimony. *Id.* Another scholar dates attorney-client privilege to 123 B.C.E., when Cicero, in prosecuting the Roman governor of Sicily, could not summon Hortensius, the governor's *patronus*, to be a witness. Max Radin, *The Privilege of Confidential Communication Between Lawyer and Client*, 16 CAL. L. REV. 487 (1927) (arguing that confidentiality laws can be traced to Roman times when attorneys were servants of the persons or families whose property and affairs they managed, and that under Roman law, servants could not testify for or against their masters because of the familial relationship that created a duty of loyalty). For a thorough discussion of the history of attorney-client privilege, see WIGMORE, *supra* §§ 2290-2329.

16. *See* MODEL RULES OF PROF'L CONDUCT R. 1.6 cmt. 1 (1983). "The lawyer is part of the judicial system charged with upholding the law. One of the lawyer's functions is to advise clients so that they avoid any violation of the law in the proper exercise of their rights." *Id.*

17. *See* Peter H. Burkard, *Attorney-Client Privilege in the EEC: The Perspective of Multinational Corporate Counsel*, 20 INT'L LAW. 677, 685-86 (1986) (describing the foundation of attorney-client privilege in Western legal systems); *see also* MODEL RULES OF PROF'L CONDUCT R. 1.6 cmt. 3.

18. *See* Burkard, *supra* note 17, at 686.

19. *See supra* note 16 and accompanying text.

20. *See* Geoffrey C. Hazard, Jr., *An Historical Perspective on the Attorney-Client Privilege*, 66 CAL. L. REV. 1061 (1978) (providing a detailed history of the privilege and the controversy surrounding it).

21. *Id.* at 1062.

22. *See* W. Bradley Wendel, *Lawyers and Butlers: The Remains of Amoral Ethics*, 9 GEO. J. LEGAL ETHICS 161, 168 (1995) (describing attorney-client privilege, the exclusionary rule of the Fourth Amendment, and the required *Miranda* warnings as rules "justified by reference to some goal other than the discovery of truth."). *But see* JOHN WILLIAM GERGACZ, ATTORNEY-CORPORATE CLIENT PRIVILEGE § 1.04 (2d ed. 1990) (arguing that attorney-client privilege "*furthers* the investigation of truth in our system of justice. It complements, rather than hinders, the factual disclosure ideal.").

23. Hazard, *supra* note 20, at 1061. Professor Hazard describes this debate as "both interesting and troubling." *Id.* at 1062. In discussing the scope of attorney-client privilege, he discusses the idea that the privilege

The debate intensifies when the client is a corporation and the attorney is the corporation's employee, in-house counsel.[24] When the client is a corporation, the policy underlying the privilege remains: it benefits society for corporations to adhere to the law; thus, corporations should be encouraged to consult with counsel.[25] While the general policy goals apply, the dynamic of the details involved in corporate in-house consultations can alter the analysis. A corporate client is an inanimate entity made animate by the directors, officers, and employees. The in-house lawyer, who is already balancing competing interests as an officer of the court and advocate for the corporation, is also an employee of the corporation.[26] This position of employment introduces a third interest that affects the attorney.[27]

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should apply only when a client is seeking consultation for a "legitimate" purpose and then he goes on to discuss the difficulty in defining what is "legitimate." *Id.* at 1061-62. Ultimately, Professor Hazard finds no resolution on "where to draw the boundaries-how to define the kinds of secrets that a lawyer may not keep." *Id.* at 1091.

24. In the United States, the debate largely centers on whether the in-house attorney is offering business as well as legal advice. Once the in-house lawyer begins to act as business advisor, she loses the ability to assert attorney-client privilege for her communications with her corporate employer. Generally, to determine whether privilege exists, courts will consider *what* capacity the in-house counsel is acting in when he or she made the communication for which the privilege is being asserted. *See* John M. Nonna & Michael A. Knoerzer, *The Attorney-Client Privilege and Corporate Transactions: Counsel as Keeper of Corporate Secrets, in* THE ATTORNEY-CLIENT PRIVILEGE UNDER SIEGE 413, 424-32 (1989) (comparing United States v. Lipshy, 492 F. Supp. 35 (N.D. Tex 1979) (holding that the Acting General Counsel and Senior Vice President of the Zale Corporation was acting in a legal capacity when conducting employee interviews, and thus, the communications were privileged) and Hardy v. New York News, Inc., 114 F.R.D. 633 (S.D.N.Y. 1987) (holding that in-house counsel who was also Vice President and Director of Employee Relations did not enjoy privileged communications with the corporation because of his non-legal capacity, without consideration of the purpose of the communications)). The most difficult issues are those involving mixed business and legal advice. *See* Nonna & Knoerzer, *supra* at 427-30 (discussing the methodology courts use in attempt to determine whether a communication is primarily for a legal or business purpose).

25. The corporate client seeks legal advice to achieve compliance with applicable laws and regulations. Because of the inherent difficulty in how a corporation can "disclose everything, bad as well as good" to a lawyer, in-house counsel are in the best position to have adequate information to provide the corporate client with effective legal advice. *See* GERGACZ, *supra* note 22, § 1.17.

26. *See* Wendel, *supra* note 22, at 162 (illustrating the lawyer's competing duties of advocate and officer of the court by comparing it to the role of the perfect butler as illustrated in the novel KAZUO ISHIGURO, THE REMAINS OF THE DAY 201 (1989)). In the novel, Stevens seeks to be the perfect butler. To achieve this perfection, Stevens must exercise absolute loyalty to his employer. The conflict arises because Stevens' employer, Lord Darlington, is a Nazi empathizer in England and requires Stevens to carry out acts of discrimination and hatred inspired by the Nazi party's agenda. In drawing the parallel between the butler and the lawyer, Wendel quotes Stevens stating "I simply confined myself, quite properly, to affairs within my professional realm. It is quite illogical that I should feel any shame or regret on my own account." *Id.* at 1061 (quoting ISHIGURO, *supra* at 201). This, Wendel states, "gives comfort to many lawyers," as an absolute duty of loyalty releases the lawyer from responsibility for the morality of the action, the lawyer is merely responsible for maintaining loyalty to her client. As such, the lawyer is protected by a shroud of professional "nonaccountability, also known as the amoral role of professionals." *Id.* at 61. The greater question thus raised and addressed by Wendel, is whether this shroud, effectuating the amoral role of the professional, should protect a lawyer from feeling shame or regret when her actions are dictated by the client's moral decisions. Wendel suggests that the butler, and thus the lawyer, should ponder whether the employer, and thus the client, is worthy of such absolute loyalty. *Id.* at 190.

27. "Among the fifty states, there are a number of competing tests for determining the applicability of the attorney-client privilege in the corporate context, and the issue, despite Upjohn, is far from settled. Most states have not adopted Upjohn explicitly, although some, such as Colorado, have. Other states, such as Illinois, have rejected Upjohn altogether and adopted the control group test to determine which employees' communications to corporate counsel are protected by the privilege. The majority of states, like New York, have yet to decide

This third interest results in in-house attorneys receiving varying degrees of recognition in different jurisdictions.

Some jurisdictions consider the impact of employment significant enough to preclude or limit in-house attorneys from acting as legal counsel.[28] The concern is that when a lawyer is dependent on the client for his livelihood, he will be less likely to exercise objective counseling because he has too great an interest in the outcome of his advice.[29] This concern over the effect of employment has led some countries to prohibit in-house lawyers from being members of the bar and/or to limit the privilege extended to communications between corporations and their employee-attorneys.[30]

On the other hand, many jurisdictions give little credence to the argument that employment removes the ability of an attorney to provide objective legal counsel to the employer-client.[31] These jurisdictions give greater weight to the policy underlying the privilege, namely the social benefit that flows from a corporation being fully informed of the laws governing its behavior. These jurisdictions assert that an attorney who works as in-house counsel is in the best position to provide a corporation with advice on governing laws and compliance.[32] Accordingly, jurisdictions that follow this reasoning recognize in-house attorneys as members of the bar, and extend attorney-client privilege to communications made between in-house counsel and their corporate clients.[33]

The resulting conflict of laws may result in real and significant problems for corporations operating in the United States and the European Union. The United States recognizes in-house counsel as full-fledged attorneys and members of the bar, extending attorney-client privilege to communications between in-house counsel and their corporate employer-clients.[34] A majority of E.U. Member States treat in-house counsel in the same manner. Four Member States, however, do not.[35] Because four Member States do not accord in-house counsel full attorney status, the European Union as a whole does not extend attorney-client privilege to communications between corporate clients and in-house counsel.[36]

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which standard, if either, will apply." Brian E. Hamilton, *Conflict, Disparity, and Indecision: the Unsettled Corporate Attorney-Client Privilege*, 1997 ANN. SURV. AM. L. 629 (1999). *See also* Mark C. Van Deusen, *The Attorney-Client Privilege for In-House Counsel When Negotiating Contracts: A Response to Georgia Pacific Corp. v. GAF Roofing Manufacturing Corp.*, 39 WM. & MARY L. REV. 1397, 1404-05 (1998).

28. *See* Burkard, *supra* note 17, at 683-84 (discussing the European Commission's position that in-house counsel do not enjoy privileged communications with their corporate clients because the lawyer must remain independent in order to "collaborat[e] in the administration of justice." *Id.* (quoting EEC COMMISSION, TWELFTH REPORT ON COMPETITION POLICY 52 (1982)).

29. *See* Van Deusen, *supra* note 27, at 1404-05 (discussing the reluctance of some judges to recognize attorney-client privilege for in-house counsel because of the fear that in-house attorneys do not have "independence required to provide balanced legal advice.").

30. *See infra* notes 92-96 and accompanying text.

31. *See* Burkard, *supra* note 17, at 686 (arguing that the position of employment does not affect the ability of in-house counsel to offer effective, and objective, legal advice to her clients).

32. *See id.*

33. The privilege that is extended is, of course, not absolute and comes with a number of limitations in an attempt to temper problems that might be created by the conflicting interests the in-house lawyer faces. *See* GERGACZ, *supra* note 22, § 3.59 (providing a thorough discussion of when attorney-client privilege exists for corporate communications with in-house counsel).

34. *See Upjohn*, 449 U.S. at 383.

35. *See infra* note 96 and accompanying text.

36. *See infra* notes 92-96 and accompanying text.

To appreciate fully the genesis of this disparate treatment and its likely impact on transnational business, this discussion outlines confidentiality laws in the United States and the European Union, specifically discussing how each recognizes attorney-client privilege and comparing the respective codified rules of professional ethics regarding confidentiality.

A. Confidentiality in the United States

Federal Rule of Evidence 501 provides the foundation for attorney-client privilege in the United States.[37] This rule provides that unless otherwise required by the United States Constitution or by Act of Congress, the "privilege of a witness, person, government, State or political subdivision thereof shall be governed by the principles of the common law."[38] The Rule further provides that "in civil actions and proceedings, with respect to an element of a claim or defense as to which State law supplies the rule of decision, the privilege . . . shall be determined in accordance with State law."[39] Under this rule, all states have recognized attorney-client privilege and have codified in their common law requirements to claim the privilege.[40]

1. *Attorney-Client Privilege and the Work Product Doctrine*

The attorney-client privilege may well be the pivotal element of the modern American lawyer's professional functions. It is considered indispensable to the lawyer's function on the theory that the advocate can adequately prepare a case only if the client is free to disclose everything, harmful as well as helpful.[41]

Generally, this privilege provides for confidentiality of communications between attorneys and their clients.[42] *United States v. United Shoe Machinery Corp.*[43] provides the oft-cited expression of the conditions required for assertion of the attorney-client privilege in the United States.[44] Under *United Shoe*, the privilege exists when:

(1) the person claiming the privilege is or seeks to be a client;
(2) the person to whom the communication was made is a member of the bar of a court and is acting as such;[45]
(3) the communication relates to matters conveyed by the client to the attorney in confidence and for the purpose of obtaining a legal opinion, legal service, or assistance in a legal proceeding;
(4) the communication is not in furtherance of a crime or tort; and
(5) the privilege is claimed and not waived by the client.[46]

37. Fed. R. Evid. 501.
38. *Id.*
39. *Id.*
40. This article does not address the different treatment of attorney-client privilege in the different states of the United States.
41. Hazard, *supra* note 20, at 1061. The attorney-client privilege and the work product doctrine are founded on the idea that "an attorney cannot provide full and adequate representation unless certain matters are kept beyond the knowledge of adversaries." The Attorney-Client Privilege and the Work-Product Doctrine 99 (Edna Selan Epstein & Michael M. Martin eds., 2d ed. 1989) [hereinafter ACP & WPD].
42. *See Upjohn*, 449 U.S. at 389.
43. United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 358 (D. Mass. 1950).
44. *Id.* at 358.
45. The person to whom a communication is made can be the subordinate of a bar member who is acting in that capacity. *See id.*
46. *See id.*

To claim the privilege, therefore, it must be affirmatively asserted.[47] The party asserting the privilege has the burden of showing that the privilege applies to the specific communication sought by his or her adversary.[48] When these conditions are met, the privilege provides absolute protection from disclosure unless waived by the client.[49]

A corollary to the attorney-client privilege is the work product doctrine, often confused with a privilege. The doctrine protects the confidentiality of work prepared in anticipation of litigation.[50] It constitutes limited protection from disclosure, considered necessary in an adversary judicial system.[51] The doctrine is considered important as it encourages thorough and thoughtful preparation by counsel.[52] Unlike the attorney-client privilege, however, the work product doctrine is not absolute and will not protect work if the party seeking discovery can show "substantial need of the material . . . [and an inability] without undue hardship to obtain the substantial equivalent of the materials by other means."[53]

2. *Attorney-Client Privilege and Work Product Protection for In-House Counsel Communications*

Under U.S. law, when the client is a corporation and the attorney is employed as in-house counsel, attorney-client privilege exists when:

(1) the communication is made for the purpose of securing legal advice;
(2) the employee making the communication does so at the direction of his or her corporate superior;
(3) the superior requests the communication to secure legal advice;
(4) the subject matter of the communication is within the scope of the employee's corporate duties; and
(5) the communication is not disseminated beyond those who need to know its contents.[54]

In addition, the work product doctrine will protect any work prepared by in-house counsel which is not necessarily a communication, but which contains the "mental impressions, conclusions, opinions, or legal theories of an attorney" when it relates to litigation.[55]

3. *Waiver of Attorney-Client Privilege in the United States*

While the privilege is absolute, the possibility of waiver—either inadvertent or voluntary—qualifies the protections. The client, not counsel, can voluntarily waive the

47. *See* Zenith Radio Corp. v. Radio Corp. of Am., 121 F. Supp 792, 795 (D. Del. 1954) (stating "Of course, the privilege must be claimed—it is here.").

48. *See* United States v. Goldfarb, 328 F.2d 280, 281-82 (6th Cir. 1964) (stating that the privilege does not create a "cloak of protection . . . draped around all occurrences and conversations which have any bearing, direct or indirect, upon the relationship of the attorney with his client.").

49. *See* ACP & WPD, *supra* note 41, at 1. *See also infra* notes 56-88 and accompanying text.

50. FED. R. CIV. P. 26(b)(3). "A party may obtain discovery . . . prepared in anticipation of litigation . . . only upon a showing . . . [of] 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 ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney . . . concerning the litigation." *See also* Hickman v. Taylor, 329 U.S. 495 (1947).

51. *See supra* note 41 and accompanying text.

52. ACP & WPD, *supra* note 41, at 99.

53. FED. R. CIV. P. 26(b)(3).

54. *See Upjohn*, 449 U.S. at 394-95.

55. FED. R. CIV. P. 26(b)(3). *See supra* notes 49-51 and accompanying text (providing a general discussion of the work product doctrine).

privilege.[56] Waiver can also result from offensive use of otherwise privileged information,[57] inadvertent disclosure,[58] or intentional voluntary disclosure.[59] "Waiver" is construed broadly against the party claiming the privilege. The generally accepted test is that "any conduct by the client that would make it unfair for him thereafter to assert the privilege" waives the privilege.[60]

Disclosure of protected communications to a third-party is the greatest threat to the protections offered by the privilege. Circumstances under which third-party disclosure constitutes waiver is an issue on which the circuit courts split. This split is partially due to ambiguities in the statutory laws that require disclosure of all relevant documents,[61] and the voluntary disclosure provisions[62] of many governmental agencies. These statutes and regulatory provisions either require or strongly encourage corporations to disclose privileged information.[63]

56. *See* ACP & WPD, *supra* note 41, at 60; *see also* Richard L. Marcus, *The Perils of Privilege: Waiver and the Litigator*, 84 MICH. L. REV. 1605 (1986) (providing a thorough discussion of what constitutes waiver of attorney-client privilege).

57. The offensive use doctrine holds that when a party affirmatively and voluntarily introduces an issue related to advice she received from her attorney into a proceeding, that party impliedly waives the confidentiality of her communications with her lawyer. *See* Chevron Corp. v. Pennzoil Co., 974 F.2d 1156 (9th Cir. 1992). The offensive use doctrine is not discussed in this article as it does not arise as a result of a multinational entity using in-house counsel in Europe, but as a result of a party to a proceeding injecting an issue related to counsel's advice. For a discussion of the offensive use doctrine, see James L. Cornell, *Piercing the Iron Curtain of Silence: The Doctrine of Offensive Use Waiver*, 60 TEX. B. J. 304 (1997).

58. Whether inadvertent disclosure constitutes waiver is a controversial issue. Courts generally apply one of three tests to determine if inadvertent disclosure waives attorney-client privilege. The strict responsibility test holds that any voluntary disclosure, even inadvertent, is an automatic waiver and loss of privilege. *See In re* Sealed Case, 877 F.2d 976 (D.C. Cir. 1989) (holding that "bureaucratic error" resulting in disclosure of privileged documents waived the privilege). The second test, the client's subjective intent test, is at the opposite end of the spectrum and is adopted by very few courts, holding that if disclosure is inadvertent, there was no intention to waive and thus the privilege remains because waiver requires intent. *See* Mendenhall v. Barber-Greene Co., 531 F. Supp. 951 (N.D. Ill. 1982). The third test, adopted by the majority of courts, falls in the middle of strict responsibility and the subjective intent test, balancing the reasonableness of the precautions taken to prevent inadvertent disclosure, the time taken to rectify the error, the scope of the discovery, the extent of the disclosure, and the overarching consideration of fairness. *See* Alldread v. City of Grenada, 988 F.2d 1425, 1433 (5th Cir. 1993). It should be noted that generally inadvertent waiver does not waive all attorney-client privilege, but only the privilege for the documents inadvertently disclosed. *See In re* Grand Jury Proceedings, 727 F.2d 1352, 1356 (4th Cir. 1984). A minority of courts do, however, hold that inadvertent disclosure constitutes waiver of "attorney-client privilege as to all communications on the subject covered by these communications." United States v. W. Elec. Co., 132 F.R.D. 1, 2 (D.D.C. 1990).

59. "Patently, a voluntary disclosure of information which is inconsistent with the confidential nature of the attorney-client relationship waives the privilege." *Alldread*, 988 F.2d at 1434.

60. ACP & WPD, *supra* note 41, at 60.

61. An example of a required reporting statute is 12 U.S.C. § 1464(d)(1)(B)(ii), which gives the Office of Thrift Supervision the authority to examine "*all relevant* books, records and documents of any type" of savings organizations which it is investigating. 12 U.S.C. § 1464(d)(1)(B)(ii) (1999) (emphasis added).

62. The SEC has implemented a Voluntary Disclosure Program to assist it in its effort to regulate securities. Under the Voluntary Disclosure Program, the SEC contacts a corporation and asks that it conduct an internal investigation and report the findings of that investigation to the SEC. The incentive offered to a corporation to do this is more lenient treatment by the SEC should a violation of securities law be found. *See* 69A AM. JUR. 2D *Securities Regulation—Federal* § 1637 (1999); *see also infra* notes 68-85 and accompanying text.

63. The Federal Organizational Sentencing Guidelines provide that if a corporation is convicted in a criminal prosecution (many agency regulations provide criminal sanctions for corporate violators), the size of the fine assessed, or the sentences imposed on individuals within the corporation will be increased if the corporation has impeded the investigation, and will be reduced if the corporation has cooperated. U.S. Sentencing Guidelines

Obviously, the goal of these statutes and voluntary disclosure provisions is to promote corporate compliance.[64] The statutes and disclosure programs typically provide for confidentiality of the information disclosed.[65] The paradox created, however, is that the majority of courts disregard the confidentiality provisions that accompany these disclosures and only consider the fact that the corporation *voluntarily* disclosed privileged communications to a potentially adverse third-party.[66] And, as a voluntary disclosure, the majority of courts hold that this action waives the attorney-client privilege.

The minority opinion is illustrated in *Diversified Ind. v. Meredith*.[67] In *Diversified*, the Eighth Circuit held that voluntary disclosure pursuant to an agency subpoena constitutes only "limited waiver."[68] Thus, the communication disclosed to the agency remains privileged against all other parties.[69] The majority of courts, however, reject the concept of limited waiver. Four years after the Eighth Circuit decided *Diversified*, the D.C. Circuit addressed the issue in *Permian Corp. v. United States*.[70] In *Permian*, the plaintiff had submitted documents to the Securities Exchange Commission (SEC) pursuant to a confidentiality agreement in an attempt to expedite a proposed exchange offer.[71] When the plaintiff subsequently claimed attorney-client privilege over the submitted documents, the court held that a party cannot assert privilege against one opponent and not another, and thus that the plaintiff had waived the confidentiality of the documents as to all third-parties.[72]

Ten years after *Permian*, the Third Circuit similarly held that disclosure to a government agency constitutes waiver of privilege as to all other parties.[73] In *Westinghouse v. Republic of the Philippines*, the court greatly expanded what constitutes voluntary disclosure and under what circumstances third-party disclosure waives privilege.[74] In response to an SEC investigation, Westinghouse hired outside counsel to investigate potential violations of the Foreign Corrupt Practices Act (FCPA).[75] On concluding the investigation, counsel reported

Manual 8C. *See* Arthur F. Mathews, *Defending SEC and DOJ FCPA Investigations and Conducting Related Corporate Internal Investigations: The Triton Energy/Indonesia SEC Consent Decree Settlements*, 18 NW. J. INT'L L. & BUS. 303 (1998) (providing an excellent and thorough discussion of the Federal Organizational Sentencing Guidelines effects on the practice of a multinational entity). In a memorandum on principles of federal prosecution of business organizations, Deputy Attorney General Larry Thompson instructs that a corporation's willingness to waive attorney-client privilege and the work product doctrine is a factor to consider in assessing the degree of a corporation's cooperation with an investigation and therefore in determining whether to prosecute that corporation. *See* Memorandum from Larry D. Thompson, Deputy Attorney General, U.S. Department of Justice, to Heads of Department Components and United States Attorneys (Jan. 20, 2003) (on file with author).

64. *See* Edward S. Rapier, Jr., *Corporations: The Federal Sentencing Guidelines for Organizations: How They Affect a Civil Practice*, 46 LA. B. J. 20 (1998) ("Many commentators have suggested that the main justification for holding corporations criminally liable is the deterrence of future criminal conduct and the encouragement of diligent supervision by company managers.").

65. *See Upjohn*, 449 U.S. at 383.

66. The disclosure has been found to be voluntary whether required by statute, subpoena, or undertaken pursuant to a disclosure program.

67. Diversified Indus. v. Meredith, 572 F.2d 596 (8th Cir. 1977).

68. *Diversified* had disclosed the information at issue in a nonpublic SEC investigation. *Id.* at 611.

69. *See id.*

70. Permian Corp. v. United States, 665 F.2d 1214 (D.C. Cir. 1981).

71. *Id.* at 1216.

72. *See id.* at 1221.

73. Westinghouse Elec. Corp. v. Republic of Philippines, 951 F.2d 1414 (3d Cir. 1991).

74. *See id.*

75. *See id.* at 1418; 15 U.S.C. § 78 (1999). The FCPA prohibits corruptly giving anything of value to a foreign government official or international organization to obtain or retain business.

their findings in two letters.[76] One of the letters was shown to the SEC, with reference to SEC confidentiality provisions.[77]

During the same period, the Department of Justice (DOJ) had initiated a parallel investigation of Westinghouse.[78] The DOJ subpoenaed the two letters prepared by counsel, as well as all other documents counsel had obtained in the investigation.[79] Westinghouse moved to quash the subpoena, but subsequently disclosed the documents to the grand jury after entering into a confidentiality agreement with the DOJ.[80] The confidentiality agreement was then memorialized in a stipulated court order.[81]

Considering a matter emanating from the FCPA investigation, the Third Circuit reviewed Westinghouse's claim that documents previously shared with the SEC and the DOJ were exempt from disclosure to the government of the Republic of the Philippines.[82] The court eventually rejected Westinghouse's argument that the documents were privileged pursuant to SEC confidentiality regulations and the court order memorializing the agreement with the DOJ.[83] In its reasoning, the court found that Westinghouse waived the attorney-client privilege by making disclosures to third-parties that were not necessary to advance the privilege's goal of encouraging clients to seek informed legal advice.[84] Further, the court held that Westinghouse had waived the work product doctrine by disclosing the documents to an adversary.[85] Reasoning that the purpose of the work product doctrine is to promote the adversarial system, the court determined that disclosure to any adversary is contrary to the work product doctrine, and thus constitutes waiver as to all third-parties.[86]

Most courts agree with the underlying premise in *Westinghouse*, that a voluntary disclosure to a third-party that is not necessary to encourage clients to seek informed legal advice constitutes waiver of attorney-client privilege even when the party receiving the otherwise privileged information agrees not to disclose the communications.[87] With this broad definition of what constitutes voluntary disclosure and waiver, disclosure of privileged documents to any third-party, pursuant to grand jury subpoena, confidentiality agreement, or otherwise, can defeat the privilege.

The majority opinion generally finds that disclosure to *any* non-privileged party constitutes waiver. Because in-house counsel is a non-privileged party in Europe, it is arguable that a multinational entity using in-house counsel in the European Union effectively waives its attorney-client privilege for that attorney's communications taking place in, or relating

76. *Westinghouse*, 951 F.2d at 1418.
77. *See id.*
78. *See id.* at 1419.
79. *See id.*
80. *See id.*
81. *See id.*
82. *See id.* at 1417.
83. *See id.* at 1426-27, 1430-31.
84. *See id.* at 1426.
85. *See id.* at 1417.
86. *See id.* at 1428.
87. *See, e.g.*, Hawkins v. Stables, 148 F.3d 379 (4th Cir. 1998) (holding that disclosure of confidential material to a party not "embraced by the privilege" constitutes waiver); United States v. Workman, 138 F.3d 1261 (8th Cir. 1998) (holding that voluntary disclosure expressly waives attorney-client privilege); Genentech, Inc. v. United States Int'l Trade Comm'n, 122 F.3d 1409 (Fed. Cir. 1997) (holding that inadvertent disclosure during patent infringement litigation constituted general waiver); United States v. Mass. Inst. of Tech., 129 F.3d 681 (1st Cir. 1997) (disclosure to Defense Contract Audit Agency constituted waiver of attorney-client privilege).

to, the European operations. This would result in communications that would be privileged in the United States being *available as evidence* in an American proceeding because of the disparity of treatment of in-house counsel in the European Union.

B. Confidentiality in the European Union

Confidentiality in Europe is less encompassing than confidentiality in the United States. Under E.U. Community law, attorney-client privilege is not specifically granted. The European Court of Justice in *AM & S v. Comm'n* held, however, that attorney-client privilege exists when two criteria are satisfied: (1) the communication is made for the purpose and in the interest of the client's defense; and (2) the lawyer is independent.[88] An independent lawyer is one who is not employed by his or her client.[89] The *AM & S* decision further held that the privilege only extends to attorneys entitled to practice in a Member State.[90]

Finding that attorney-client privilege existed in some form in each of the E.U. Member States, the court adopted criteria representing the common elements required in each state.[91] In-house counsel do not enjoy attorney-client privilege because four Member States do not permit in-house counsel to be members of the bar, and thus do not recognize any privilege for communications between attorneys and their employer-clients.[92] Thus, outside lawyers in Europe enjoy a protection of confidentiality in communicating with their clients. This protection does not extend to in-house counsel, which presents the problem for multinational entities using in-house counsel to coordinate their legal affairs in a global market place that includes the European Union.

C. Model Rules Compared

In both the United States and the European Union, model rules of professional conduct set standards for the professional conduct of attorneys. In the United States, the ABA Model Rules of Professional Conduct (Model Rules) were promulgated by the American Bar Association in 1983.[93] The Model Rules do not, in themselves, have the binding effect of law.[94]

88. *See* AM & S Europe Ltd. v. Comm'n of the European Cmtys., 1982 ECJ CELEX LEXIS 5047 (1979).

89. *See id.*

90. In *Hilti*, the ECJ extended the privilege adopted in *AM & S* to include notes or memorandum written by the client after consultation with the attorney. Hilti AG v. Comm'n, Case T-30/89A, 1990 E.C.R. II-163, II-170. The decision in *Hilti* "suggests that advice may be widely disseminated in the undertaking to ensure compliance, and still remain privileged." Maurits Dolmans, *Attorney-Client Privilege for In-House Counsel: A European Proposal*, 4 Colum. J. Eur. L. 125, 129 (1998).

91. Finland, however, does not recognize privilege for outside lawyers or in-house counsel. *See id.* at 128. For a country-by-country overview of the law at the time *AM & S* was decided, see Opinion of Advocate General Warner, *AM & S*, 1982 E.C.R. at 1632-37; Opinion of Advocate General Slynn, *AM & S*, 1982 E.C.R. at 1651-53, 1656-58.

92. Countries that do grant counsel status to in-house lawyers, and thus do not recognize privileged communications by in-house counsel include Belgium, Italy, France, and Luxembourg. E.U. countries recognizing in-house counsel as members of the bar include Denmark, Finland, Germany, Ireland, The Netherlands, Norway, Spain, and the United Kingdom. *See* Allison M. Hill, *A Problem of Privilege: In-House Counsel and the Attorney-Client Privilege in the United States and the European Community*, 27 Case W. Res. J. Int'l L. 145, 157 (1995).

93. Model Rules of Prof'l Conduct (1983); Code of Judicial Conduct (1983).

94. *See* Thomas D. Morgan & Ronald D. Rotunda, Problems and Materials on Professional Responsibility 12 (6th ed. 1995).

The Model Rules become legally binding only upon adoption by individual state supreme courts.[95] Currently, approximately thirty-five states have adopted the Model Rules with minor alterations.[96] In Europe, the CCBE Code of Conduct[97] (CCBE Code) was established to provide a legal ethics code to be followed by lawyers within the European Union. Similar to the Model Rules, the CCBE Code requires E.U. Member States to adopt the Code for it to have binding legal effect.[98] The CCBE Code has been more successful than its American counterpart, gaining universal acceptance in Europe.[99] Consequently, "as a practical matter . . . the CCBE Code is now binding."[100] This section provides a discussion of the Model Rules and CCBE Code regarding confidentiality in the United States and the European Union.[101] In this discussion, it is assumed that a lawyer is bound by the Model Rule or CCBE Code provision discussed.

1. *United States: Model Rules of Professional Conduct*

Model Rule 1.6 provides for confidentiality of information.[102] The rule states that "a lawyer shall not reveal information relating to representation of a client unless the client consents after consultation."[103] Rule 1.13 provides "a lawyer employed or retained by an organization represents the organization acting through its duly authorized constituents."[104] Thus, Rule 1.13 provides that communications between in-house counsel and corporate

95. *See id.*

96. *See id.* This is not to say the other states do not have a code of professional responsibility. These states generally adopted the 1969 ABA Model Code of Professional Responsibility with various alterations and amendments. *See id.*

97. Council of the Bars and Law Societies of the European Union, CODE OF CONDUCT FOR LAWYERS IN THE EUROPEAN COMMUNITY § 2.3.1 (1988). *See* John Toulmin, *A Worldwide Common Code of Professional Ethics?* 15 FORDHAM INT'L L.J. 673 (1992) (providing a background discussion on the rules of professional ethics in the EU).

98. *See* Laurel S. Terry, *An Introduction to the European Community's Legal Ethics Code Part I: an Analysis of the CCBE Code of Conduct*, 7 GEO. J. LEGAL ETHICS 1, 12 (1993).

99. *See id.* Whether all Member States have adopted the Code is an issue about which there is some controversy. Professor Terry identifies a number of sources confirming that all Member States have adopted the Code, as well as a number of sources indicating that some Member States have not accepted the Code. The director of the CCBE has indicated that the CCBE Code has been adopted by all Member States. *See id.* at n.40.

100. *Id.* at 12.

101. This article examines how the Model Rules and CCBE Code regulate professional conduct in general, and does not analyze how any particular American State or European member state has altered, interpreted, or amended either the Rules or the Code.

102. MODEL RULES OF PROF'L CONDUCT R. 1.6 (1983).

103. *Id.* The full text of Rule 1.6 reads:

> (a) A lawyer shall not reveal information relating to representation of a client unless the client consents after consultation, except for disclosures that are impliedly authorized in order to carry out the representation, and except as stated in paragraph (b).
>
> (b) A lawyer may reveal such information to the extent the lawyer reasonably believes necessary: (1) to prevent the client from committing a criminal act that the lawyer believes is likely to result in imminent death or substantial bodily harm; or (2) to establish a claim or defense on behalf of the lawyer in a controversy between the lawyer and the client, to establish a defense to a criminal charge or civil claim against the lawyer based upon conduct in which the client was involved, or to respond to allegations in any proceeding concerning the lawyer's representation of the client.

Id.

104. MODEL RULES OF PROF'L CONDUCT R.1.13 (1983).

constituents are protected within the confidentiality provision of Rule 1.6. Consequently, American attorneys working as in-house counsel are under an ethical obligation to maintain the confidentiality of their communications with their employer-client pursuant to the professional code.

2. *European Community: CCBE Code and the Lawyer Services Directive*

In 1988, the European Community adopted the CCBE Code as a framework of professional conduct principles applicable in all cross-border activities between lawyers in the EEC.[105] The CCBE Code article 2.3 provides for confidentiality. Article 2.3.1 provides:

> It is of the essence of a lawyer's function that he should be told by his client things which the client would not tell to others, and that he should be the recipient of other information on a basis of confidence. Without the certainty of confidentiality there cannot be trust. Confidentiality is therefore a primary right and duty of the lawyer.[106]

This article creates an "absolute rule of confidentiality without any exceptions."[107] Article 2.3.2 defines the information protected as all information "given [a lawyer] by his client, or received by him about his client or others in the course of rendering services to his client."[108] The CCBE Code does not address the issue of employer-clients. The failure to mention the employer-clients may indicate the "disagreement lurking behind this rule."[109] The significant differences in treatment by the Member States of the status of in-house counsel has resulted in "an underground debate" regarding the applicability of this provision of the CCBE Code to in-house counsel, and corporate-client communications.[110] The result of this debate, as evidenced in the *AM & S* decision, has been a refusal to extend confidentiality to communications between counsel and their employer-clients.[111]

The Lawyers Services Directive,[112] adopted by the European Council, furthers that refusal, providing that a lawyer "shall observe the rules of professional conduct of the host Member State, without prejudice to his obligations of the Member State from which he comes."[113] This Directive effectively defeats attorney-client privilege for a lawyer who comes from a country that recognizes in-house attorney-client privilege, but is representing the client in a country that does not, thus making it difficult for in-house counsel to effectively represent a multinational entity.[114] These codified rules of professional ethics governing the behavior of lawyers in the European Union are indicative of the resistance the European Union has to extending confidentiality privileges to in-house counsel communications with their employer-client. This resistance not only makes it difficult for European attorneys to work as in-house legal advisers, it also has opened the door for multinational

105. *See* Toulmin, *supra* note 97.

106. CODE OF CONDUCT FOR LAWYERS IN THE EUROPEAN COMMUNITY art. 2.3.1 (1988).

107. Terry, *supra* note 7, at 27.

108. CODE OF CONDUCT FOR LAWYERS IN THE EUROPEAN COMMUNITY, *supra* note 106, § 2.3.2.

109. Terry, *supra* note 7, at 27.

110. *Id.* at 29.

111. *See supra* notes 88-92 and accompanying text.

112. Council Directive 77/249, art. 57-66, 1977 O.J. (L 78) 17. The Lawyers Services Directive is similar to the Canons of the ABA Model Code of Professional Responsibility, because it provides aspirational rather than regulatory guidance for attorneys.

113. Council Directive 77/249, art. 57-66, 1977 O.J. (L 78) 17.

114. *See* Allison Hill, *A Problem of Privilege: In-House Counsel and the Attorney-Client Privilege in the United States and the European Community*, 27 CASE W. RES. J. INT'L L. 145, 164 (1995).

entities who use in-house counsel in Europe to be exposed to significant risk of disclosure of otherwise privileged communications.

III. European Commission Decisions Based on In-House Counsel Communications

Two decisions by the European Commission illustrate the European Union's "deep seated suspicion of the independence of in-house counsel,"[115] and the risk presented by the lack of privilege for in-house counsel communications. Both cases occurred in the 1980s and both involved violations of E.U. competition law.

To illustrate the significance of these cases, it is useful first to examine how E.U. competition laws are enforced. In the European Union, the executive body is the European Commission, which has jurisdiction over enforcement of E.U. competition laws pursuant to articles 85 and 86 of the Treaty of Rome.[116] Articles 85 and 86 of the European Economic Community regulate competition law in the E.U. Articles 11 and 14 of Regulation 17/62 provide the Commission with authority to gather all necessary information to determine whether a violation of E.U. competition rules has occurred.[117] Once an investigation is complete, the Commission files a complaint, or a 'Statement of Objections.'[118] The accused is then invited to a brief hearing before the Commission.[119] The Commission then may render its decision, with the authority to impose severe fines, cease and desist orders, and/or injunctions.[120] With this broad enforcement authority, the Commission is described as "investigator, prosecutor, judge and jury, all in one."[121]

Under Regulation 17/62, the rights of the defense must be respected, including attorney-client privilege. However, as seen in *John Deere* and *Sabena*, both cases where investigation and discovery took place pursuant to Regulation 17/62, in-house counsel communications are not protected as a right of the defense. On the contrary, the lack of privilege afforded in-house counsel communications provides an opportunity for the Commission to obtain discovery of work done by attorneys in the effort to effectuate company compliance with relative laws.[122] This is precisely the problem illustrated in the introduction to this article.

A. John Deere

In 1982, the National Farmers Union of the United Kingdom filed a complaint with the European Commission that an independent John Deere distributor in Belgium refused to

115. Mary C. Daly, *The Ethical Implications of the Globalization of the Legal Profession: A Challenge to the Teaching of Professional Responsibility in the Twenty-First Century*, 21 Fordham Int'l L.J. 1239, 1279.

116. *See* Burkard, *supra* note 17, at 678-79.

117. *See id.* at 679.

118. *See id.*

119. *See id.*

120. *See id.*

121. *See id.*

122. A number of commentators have argued that in-house counselors are in a better position to advise their clients on how to comply with regulatory and national laws of the European Union, which they assert is almost necessary in light of the E.U.'s complex legal and regulatory framework. *See, e.g.*, Hill, *supra* note 114, at 185-89; Dolmans, *supra* note 90; Daiske Yoshida, *The Applicability Of The Attorney-Client Privilege To Communications With Foreign Legal Professionals*, 66 Fordham L. Rev. 209.

supply a tractor to one of the Union's members.[123] The Commission conducted an investigation, during which it took copies of nearly 150 documents relating to John Deere's trans-border sales.[124] After examining these documents, the Commission filed a Statement of Objections.[125] John Deere and the independent dealers submitted written responses, neither asking for a hearing.[126] Nearly five months later, the Commission published quotations from the documents that were the foundation of its forthcoming decision.[127] Deere commented on the quotations and, nearly two years after the Union complained, the Commission rendered its decision finding that John Deere violated article 85(1) of the Treaty of Rome, and fined Deere 2,000,000 European Currency Unit (ECU).[128]

Within the information discovered in the 150 documents were two written opinions drafted by in-house counsel for Deere. First, in-house counsel wrote opinions to both American and European managers that the company was effectively constraining parallel exports[129] and that contractual export bans violated E.U. competition law.[130] Second, in-house counsel, apparently in an attempt to protect the company from liability, attached a "qualifying clause" to its sales contracts, which read that "[t]he purchaser undertakes, as far as no contrary regulation prevents, not to resell articles . . . abroad with or without modification either directly or indirectly."[131] The Commission determined that this qualifying clause indicated that the company knew it was in violation of the E.U. competition laws, and that it had intentionally disregarded those laws.[132]

B. Sabena

In *Sabena*, another action involving a violation of E.U. competition law, the European Commission used in-house counsel communications against Sabena Airlines, finding that in-house counsel communications indicated the company knew that its actions violated E.U. competition law. This finding led to an aggravated damage award of 100,000 ECU rendered against Sabena.[133]

IV. United States Cases Seeking Discovery through No-Privilege Laws

In two cases, *Renfield Corp. v. E. Remy Martin & Co., S.A.*[134] and *Honeywell, Inc. v. Minolta Camera Co., Ltd.*, U.S. district courts have addressed the question whether information that would be privileged in the United States, but is not privileged in jurisdictions outside of the United States, is privileged against discovery requests in proceedings in an American court. Reaching different conclusions, both courts focused on the person claiming the privi-

123. *See* Commission Decision 85/79, art. 85, 1984 O.J. (L 35) 58.
124. *See id.*
125. *See id.*
126. *See id.*
127. *See id.*
128. *See id.*
129. *See id.*
130. *See id.*
131. Burkard, *supra* note 17, at 681.
132. *See id.*
133. Commission Decision 88/589, art. 86, 1988 O.J. (L 317) 47.
134. 98 F.R.D. 442 (D. Del. 1982) (involving antitrust).

lege, one finding that French in-house counsel was the functional equivalent of an American attorney, and thus was entitled to privileged communications; the other finding that a Japanese patent advisor did not hold the appropriate status to claim privilege for his communications with his corporate employer.

In *Renfield*, the U.S. District Court for the District of Delaware found that under the Hague Evidence Convention[135] the defendant corporation, with offices in both the United States and France, could invoke privileges recognized by either French or American law against production of documents.[136] The court held "whether the individual is competent to render legal advice and is permitted by [local] law to do so" determinative.[137] Finding that French in-house counsel "have legal training and are employed to give legal advice to corporate officials on matters of legal significance to the corporation" the court held the communications privileged, even though the communications would not have been privileged in France.[138]

Reaching the opposite conclusion, the U.S. District Court for the District of New Jersey applied the functional equivalence test adopted in *Renfield*, and held that communications from a Japanese patent advisor were not privileged.[139] The court determined that privilege would not extend to the advisor, who was not licensed to practice law in any country, and had never been registered as a patent agent in the United States or in Japan.[140]

V. Application of Legal Principles to the Problem

The problem addressed in this article can be illustrated by two scenarios: parallel proceedings in the United States and Europe and internal investigations within a corporation. In either of these situations, material otherwise privileged in the United States, but not privileged in Europe, may be discoverable in the United States due to the conflicting laws.

A. Parallel Proceedings

In the United States, parallel proceedings are seen in two instances: (1) when more than one agency has parallel jurisdiction, and (2) when civil and criminal suits are brought as to the same facts. Absent a showing of substantial prejudice, or special circumstances, parallel proceedings are allowed.[141]

American courts allow liberal sharing of information between proceedings. In administrative parallel procedures, *Westinghouse* and *Permian* hold that communications disclosed in one agency proceeding will be available to the other agency regardless of the first agency's agreement to maintain confidentiality of the information disclosed.[142] In parallel criminal

135. Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, Mar. 18, 1970, 2 B.D.I.E.L. 829, art. 21(3).

136. *Renfield*, 98 F.R.D. at 444.

137. *Id.*

138. *Id.*

139. Honeywell, Inc. v. Minolta Camera Co., Ltd., 1990 WL 66182 (D.N.J. 1990).

140. *Id.* at 3. Patent law is an area where trans-border privilege is commonly at issue. *See* Mendenhall v. Barber-Green Co., 531 F. Supp. 951 (N.D. Ill. 1982) (protecting communications among U.S., British, and Canadian patent agent); Mitts & Merrill, Inc. v. Shred Pax Corp., 112 F.R.D. 349 (N.D. Ill. 1986) (protecting communications with German patent agent). *See also* Yoshida, *supra* note 122 (discussing attorney-client privilege in transnational intellectual property issues).

141. Securities and Exch. Comm'n v. Dresser Indus., 628 F.2d 1368 (D.C. Cir. 1980).

142. *See supra* notes 19-35 and accompanying text.

and civil actions, the courts similarly allow for liberal sharing of discovery.[143] In *United States v. Kordel*, the defendants argued that the use of the civil discovery process in building the government's criminal case "reflected such unfairness and want for consideration of justice" as to require reversal of their convictions.[144] The Supreme Court disagreed, and noted that "the government had not brought the civil action solely to obtain evidence for its criminal prosecution."[145]

1. *Affirmative Use of the Privilege Disparity*

a. U.S./E.U. Parallel Proceedings Comparable to U.S./U.S. Parallel Proceedings

An attorney in the United States—whether private or governmental—may argue that any information disclosed in a European proceeding should be available in U.S. proceedings as it would be available in a comparable parallel proceeding within the United States To overcome this initial argument requires counsel to show that (1) there would be substantial prejudice to the company should the information be disclosed, or (2) that the situation presented by parallel proceedings in two nations presents a special circumstance calling for protection of privileges recognized in the United States, but not recognized in Europe. Defense counsel may argue that the European action was filed merely to have access to evidence otherwise not available in the United States.

b. Waiver

The next argument an attorney making affirmative use of the disparity might make is that the company has waived its attorney-client privilege for in-house counsel communications in Europe. First, the company utilized in-house counsel knowing that in-house counsel does not enjoy attorney-client privilege in Europe. Second, the company disclosed information to an adversary, the E.U. regulator, destroying any work product privilege or remaining attorney-client privilege that may have existed. Finally, the company waived its privilege by allowing an American attorney to represent it in Europe, where any privilege first depends on membership of the bar of a member state. Under the current state of the confidentiality laws regarding attorney-client privilege and waiver in the United States, any of these arguments may succeed.[146]

2. *Defense Arguments*

a. Hague Evidence Convention[147]

To overcome these arguments, counsel should begin with The Hague Evidence Convention, as applied in *Renfield*.[148] Article 21(e) of the Convention provides that: "[A] person requested to give evidence may invoke the privilege and duties to give the evidence contained in Article 11."[149] Article 11 provides: "[T]he person concerned may refuse to give

143. *See* United States v. Kordel, 397 U.S. 1 (1970); *Dresser*, 628 F.2d at 1368 (involving a civil investigation by the SEC and a criminal investigation by the DOJ of FCPA violations by Dresser).

144. *Kordel*, 397 U.S. at 11.

145. *Id.*

146. *See supra* notes 9-35 and accompanying text.

147. Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, 2 B.D.I.E.L. 829, art. 21(e).

148. *Renfield*, 98 F.R.D. at 443.

149. Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, 2 B.D.I.E.L. 829, art. 21(e).

evidence insofar as he has a privilege or duty to refuse to give the evidence—(a) under the law of the State of execution; or (b) under the law of the State of origin."[150] Counsel must thus establish that privilege exists in the United States in order to invoke the confidentiality provision of the Convention.

b. Privilege Exists in United States and No Waiver

To establish that privilege exists in the United States, the communication must first satisfy the *Upjohn* criteria. Then, counsel must establish that the existent privilege was not waived. *Diversified* may provide a basis for counsel's argument that disclosure in the European suit does not constitute waiver. Under the *Diversified* reasoning, counsel may argue that disclosure in the European action constituted only limited waiver. The difficulty in this argument is that the plaintiffs in the European and the American actions are the same parties. Consequently, a court may reject the argument of limited waiver as disclosure would be to the same party in both actions. Alternatively, a court may accept the argument and maintain the privilege for the communications. In that situation, the plaintiffs may have the opportunity to gain invaluable information in the European proceeding regarding the defense strategy, placing the plaintiffs in an advantageous situation in the U.S. action.

c. Adversarial System

Should the court reject the limited waiver argument, counsel may assert that by disclosing the information, there would be substantial interference with the adversarial system. As this was the crux of the court's reasoning in *Westinghouse*, this argument may protect some of the communications and the work product of the attorney. Because of the uncertainty in any of these arguments, counsel is wise to take preventative measures when conducting an investigation in preparation of a defense.

B. Internal Investigations

An internal investigation may take place upon suit(s) being filed or in preventative measures to ensure compliance with applicable laws. When a suit is filed and the company's operation in Europe is implicated, the most prudent course of action is to hire outside local European counsel to conduct the investigation in preparation of a defense. This may be a more costly and time intensive method, but it will protect communications and work product accumulated and reported in the process of the investigation. Should American in-house counsel be used, the company should be prepared to disclose any information counsel obtains in Europe, and thus possibly in the United States.

To limit the impact of disclosure in the United States, counsel should be careful to keep to a minimum written communications, notes, and memoranda dealing with the investigation. Any written reports should be clearly marked as "Privileged Attorney-Client Communication" or "Privileged Work Product of Attorney." While these measures may not fully protect the privilege, several decisions have indicated that lack of aggressive protection of privilege is a factor in determining whether the communication or work product will be found to be privileged. Finally, should the communication or work-product be subpoenaed, counsel should argue aggressively against disclosure. Should a confidentiality agreement be offered, counsel should be prepared for a court to find the agreement meaningless. And

150. *Id.* art. 11.

last, counsel should not rely on regulatory confidentiality provisions, such as the SEC provisions relied on in *Westinghouse*, as those provisions may be deemed irrelevant in light of counsel's willingness to disclose confidential information to an adversary.

VI. Conclusion

This article began with the question of what, exactly, is the risk a multinational entity undertakes by using in-house counsel in Europe. The answer is that it is difficult to say. American courts have not fully addressed the question, but it is almost certain that litigants will try to take advantage of the disparate treatment of privilege on either side of the Northern Atlantic. The question itself should create concern for multinational entities that use in-house counsel in Europe. Such a company may want to cease using in-house counsel in Europe or take other precautionary measures to protect itself against an unintended waiver of attorney-client privilege. While the no-privilege rule has only been used to obtain evidence against a company in antitrust cases thus far, it is easy to see how the rule might be expanded to allow access to valuable information that would otherwise be privileged as attorney-client communications. The question is left for the in-house practitioner and the global enterprise to determine their risk tolerance.