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Privilege Law Case Developments

In our first in a series of occasional alerts on the law of privilege, we present three recent federal court cases of potential interest. *First*, in ***SecurityPoint Holdings Inc.* v. *United States***, a court held that an equity investor's status as a stakeholder was sufficient to convert a commercial interest into a legal interest for common interest purposes if the company's existence depends on the legal validity of a patent. *Second*, ***CSX Transportation, Inc.* v. *Columbus Downtown Development Corp.*** provides an instance where otherwise protected work product was compelled to be produced due to a showing of substantial need. *Third*, ***Barker* v. *Insight Global, LLC*** illustrates the privilege issues that can arise when in-house counsel serves as a 30(b)(6) deposition witness.

***SecurityPoint Holdings Inc.* v. *United States*, No. 11-268C, 2019 WL 1751194 (Fed. Cl. Apr. 16, 2019)**

A recent decision in SecurityPoint Holdings' long-running patent infringement lawsuit against the government looked at the question of which commercial interests by an investor are sufficiently "legal" in nature to embrace a common legal interest claim. The common interest doctrine is an exception to the principle that a party waives attorney-client privilege by disclosing to a third party. Courts have held that, in general, the common interest must be "a legal one, not merely commercial." *SecurityPoint*, 2019 WL 1751194, at *2; *see, e.g.*, *John Doe Corp.* v. *United States*, 675 F.2d 482, 489 (2d Cir. 1982). In this ruling, the court held that a company and one of its equity investors may have a common legal interest in the legal status of its patent, at least where the company's viability depends on the validity of that patent.

SecurityPoint is the assignee of a patent for a system of recycling trays and carts at airport security screening checkpoints. The company filed a patent infringement lawsuit against the government in 2011, asserting that the Transportation Security Administration ("TSA") was infringing on the patent. SecurityPoint alleged that the TSA was using a system of moving trays and carts that track the patent in airports across the country. The Court of Federal Claims determined that SecurityPoint's patent was valid. *SecurityPoint Holdings Inc.* v. *United States*, 129 Fed. Cl. 25, 48 (2016). Because the TSA had stipulated to infringement, the remaining issue for discovery was damages. *See id.* at 30.

In the instant order, the court resolved a variety of privilege issues related to a government's motion to compel. The most significant privilege dispute concerned communications and documents sent between SecurityPoint and one of its equity investors, Raptor. The government argued that the disclosures to this third party effectuated a waiver of the attorney-client privilege. SecurityPoint countered that it had a common legal interest with Raptor, namely the validity of its patent, which prevented waiver. The court

agreed with the plaintiff, holding that "SecurityPoint and Raptor share common legal interest in the validity of the patent-in-suit." *SecurityPoint*, 2019 WL 1751194, at *3. The court reasoned that "Raptor is an equity investor in SecurityPoint, and, ***as such***, it has a common interest in the legal status of the . . . patent to protect its communications with SecurityPoint (and vice versa)." *Id.* (emphasis added).

Also of interest in the case: SecurityPoint and Raptor had a litigation funding agreement. The court expressly declined to decide "whether a litigation funding agreement alone would be sufficient to establish a commonality of legal interest." *SecurityPoint*, 2019 WL 1751194, at *3 n.3. SecurityPoint also sought to protect the agreement under the work-product doctrine. Although the court observed that "[l]itigation funding agreements are often considered by federal courts to be protected," it reserved judgment on the issue for *in camera* review to determine whether the government had a substantial need for the agreement. *See id.*

CSX Transportation, Inc. v. *Columbus Downtown Development Corp.*, No. 2:16-cv-557, 2019 WL 1760069 (S.D. Ohio Apr. 22, 2019)

CSX Transportation reflects the relatively rare case in which parties were successful in meeting the high burden of compelling the production of work product based on a showing of "substantial need." Under the work-product doctrine, a party may not discover materials "prepared in anticipation of litigation," whether created by an attorney or some other representative of a party. Fed. R. Civ. P. 26(b)(3). Work product may nonetheless be discovered if a party shows that it has a "substantial need for the materials" and cannot, "without undue hardship, obtain their substantial equivalent by other means." Fed. R. Civ. P. 26(b)(3).

The discovery dispute here was between plaintiffs, CSX Transportation Inc. ("CSX") and Norfolk Southern Railway Co. ("NS"), and George J. Igel & Co., Inc. ("Igel"), a third-party defendant in the case. Igel, a construction company, allegedly damaged CSX's and NS's railroad bridge by performing excavation work for a nearby construction project. *CSX Transp.*, 2019 WL 1760069, at *1. Soon after the accident occurred, but well before litigation commenced, Igel's director for workplace safety conducted interviews with key employees as part of an internal investigation. *Id.* at *1–3. CSX moved to compel production of recordings of these interviews after Igel asserted work-product protection over them.

CSX argued that the recordings were not work product, but that, even if they were, CSX had a substantial need for them. To argue they were not work product, CSX pointed to testimony that Igel routinely conducted interviews after an accident to prevent reoccurrence and capture details while they were still "fresh." In opposition, Igel contended that whereas ordinary course investigations and interviews for other accidents would be initiated by employees calling a reporting line, the investigation and interviews in this case followed a specific request from Igel's CEO after he received notice that litigation was likely. Igel also noted that the recordings were not used for business purposes as other recordings would have been for ordinary course investigations; they were passed on directly to Igel's insurance adjuster.

First, the court addressed whether the interview recordings qualified as work product. *Id.* at *4. The court's analysis focused on whether Igel conducted the interviews in anticipation of litigation or merely pursuant to standard business practices of its safety director. *Id.* at *5. Igel had not created a written record of why the internal investigation was initiated, and as a result, the court had to infer the reason from deposition testimony. Although a "close call," the court ultimately reasoned that the recordings qualified as work product, mainly because the company did not arrange the interviews using the usual channel of a tip line. Rather, the company's president personally requested to set up these interviews after receiving a demand letter from CSX. *Id.*

Second, the court addressed whether CSX could establish a "substantial need for the recordings." *Id.* at *6. CSX focused on the admissions by Igel that a principal purpose of the recordings was to memorialize details while the employees' memory was still fresh. CSX asserted that the employees' memory was no longer fresh and had faded 45 months after the incident. *Id.* The court was persuaded by that argument and instead of requiring CSX to conduct its own interviews, it ordered Igel to produce the audio recordings.

Two practice pointers can be deduced from the court's reasoning in *CSX Transportation*. First, it may be helpful to document a party's motivation for creating work product, for example, by memorializing that documents were created because of anticipated litigation. Second, because protections for fact work product—including transcripts or recordings of factual information—are weaker than protections for opinion work product, *see FTC* v. *Boehringer Ingelheim Pharm., Inc.*, 778 F.3d 142, 151 (D.C. Cir. 2015), companies should take care in deciding how to memorialize collection of factual information. Some practice guides caution against creating transcripts or recordings. *See, e.g.*, Dan K. Webb, Robert W. Tarun, and Steven F. Molo, *Corporate Internal Investigations* § 9.07 (2018).

***Barker* v. *Insight Global, LLC*, No. 16-cv-07186-BLF (VKD), 2019 WL 1890042 (N.D. Cal. Apr. 25, 2019)**

Privilege issues can abound when in-house counsel serves as the witness for a 30(b)(6) deposition. The attorney-client privilege "only protects disclosure of communications; it does not protect disclosure of the underlying facts by those who communicated with the attorney." *Upjohn Co.* v. *United States*, 449 U.S. 383, 395 (1981). However, "depending upon how questions are phrased to the witness, deposition questions may tend to elicit the impressions of counsel." *Protective Nat'l Ins. Co. of Omaha* v. *Commonwealth Ins. Co.*, 137 F.R.D. 267, 280 (D. Neb. 1989). A recent order in *Barker* v. *Insight Global, LLC* shows how one court sought to navigate the distinction between facts on the one hand and legal advice and work product on the other.

In this employment case, plaintiff John Barker alleged that defendant Insight Global enforced an unlawful employment agreement and wrongfully denied him benefits under his benefit plan and upon termination. In the 30(b)(6) deposition, Insight Global's designated witness, its in-house counsel, declined to answer dozens of questions. Some he declined on the basis of privilege, and some he declined asserting they were

beyond the scope of the deposition or asserting privilege. Barker sought to compel testimony on these questions.

For questions that the court found to be within the scope of the deposition, it directed further deposition on most of the questions so long as Barker rephrased them to avoid privilege concerns. Citing *Upjohn*, the court stated that, "[w]hile it is not improper to designate counsel as a company representative, that designee's role as an attorney cannot be used to insulate from discovery facts known to the company." *Barker*, 2019 WL 1890042, at *3.

The court concluded that certain questions could be "reformulated" as to be "principally directed to obtaining *factual information* of Insight Global and not communications subject to the attorney-client privilege or information subject to the attorney work product doctrine." *Id.* (emphasis in original). For instance, the court suggested that, instead of asking in-house counsel whether he "ever discussed with any employees" the enforcement of nonsolicitation clauses, Barker could ask whether "any Insight Global representative ever discussed" these clauses with employees. *See id.* at *3–*4. Similarly, the court found that other questions, "if appropriately reformulated, are principally directed to obtaining Insight Global's *contentions*, as opposed to legal conclusions, legal strategy or advice of counsel." *Id.* at *3 (emphasis in original). The court offered as an example that, instead of asking in-house counsel's understanding of the noncompete covenant, Barker could ask, "How does Insight Global contend the noncompete covenant should be interpreted?" *See id.* at *3–*4. The court also purported to draw a distinction between what a party's contentions ***are***, and the ***basis*** for those contentions: "The Court expects the answers to these questions would not implicate any privilege or work product concerns; however, further questions probing *why* Insight Global so contends might well implicate such concerns." *Id.* at *3.

The court did seek to preserve the right of the witness to assert privilege to shield privileged communications and material, recognizing that the answers to even reformulated questions might "be purely factual . . . or it might indeed require the deponent to reveal advice of counsel, or both." *Id.* The court made clear that "[n]othing in this order precludes such an objection on this ground," and noted that Insight Global's witness must respond with only "factual information known to the company . . . regardless of the source of the facts." *Id.* (The court did not provide guidance on how to draw those lines.)

The court also precluded testimony on three questions relating to interpretations of California law and a conflict of interest issue, since those bore on legal issues like the company's "view of a decision of the California Supreme Court," its "legal analysis" and "a purely legal conclusion that likely also implicates attorney-client privilege." *See id.* at *3.

The court's analysis was very fact-specific. It did not cite any legal authority for its reformulations of questions, nor any authority for any bright lines between contentions and legal conclusions.

The lack of a bright line is consistent with the principle that distinguishing facts and privileged communications requires case-by-case analysis. *See Upjohn*, 449 U.S. at 396–97; *Harding* v. *Dana Transp., Inc.*, 914 F. Supp. 1084, 1090 (D.N.J. 1996). Furthermore, where an attorney serves as a 30(b)(6) deponent, courts recognize that it is difficult to "determin[e] the degree to which a particular deposition question elicits the mental impressions of the attorney who communicated a fact to the deponent . . . [as] any fact that a witness learns from his or her attorney presumably reveals in some degree the attorney's mental impressions of the case." *State Farm Mut. Auto. Ins. Co.* v. *New Horizont, Inc.*, 250 F.R.D. 203, 215 (E.D. Pa. 2008) (quoting *Protective Nat'l Ins. Co.*, 137 F.R.D. at 280).

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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