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WHITE-COLLAR CRIME

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Attorney-Client Privilege in International Investigations

Today the corporate attorney-client privilege is well-developed in American law. When, as is increasingly common, however, white-collar investigations cross national boundaries, the sanctity of attorney client communications, particularly those involving foreign based in-house counsel, is not guaranteed.

To increase the odds of preserving corporate clients' confidences and secrets,[1] attorneys representing multinational clients or involved in multijurisdictional investigations need to be alert to some basic rules that courts are likely to employ in such situations when analyzing assertions of attorney-client privilege.

More often than not, the types of investigations in which white-collar practitioners find themselves today, including those involving possible violations of antitrust, securities, or money-laundering laws, have an international component. Accordingly, American defense attorneys and corporate counsel are required to collect client data that is located in foreign countries or engage in communications and interviews with foreign-based employees of the client corporation. Both United States and foreign authorities likely will have an interest in these seemingly confidential communications. Unfortunately, in the criminal and regulatory context, a dearth of statutory and decisional law exists to guide us.

Because the information collected may pertain to matters in both foreign and U.S. courts, the privilege law of several countries may be relevant. Although corporations in the United States may rely on the attorney-client privilege, this privilege is not as well-established in other countries. In contrast to the United States, however, many foreign countries have more limited discovery rules, which serve to counterbalance the lack of privilege protection. Despite potentially more limited access to information in some foreign countries, attorneys in the United States should follow certain guidelines in collecting and producing documents in international investigations in order to maintain the privilege in all jurisdictions.

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Cases Arising in U.S. Federal Courts

Under federal common law, U.S. federal courts addressing the application of the attorney-client privilege in cases with international dimensions issues ask two questions: first, whether foreign or domestic law applies to the privilege question and, second, whether, under the applicable law, the privilege protects the communication in question.[2]

To resolve the first question, in instances where the alleged privileged communications took place in a foreign country or involved foreign attorneys or proceedings, courts defer to the law of the country that has the "'predominant' or 'the most direct and compelling interest' in whether those communications should remain confidential."[3] That country may be the United States or it may be the foreign country in which the communications took place. This analysis has been referred to by courts as a "touching base" analysis and closely resembles a traditional choice-of-law analysis. The burden of persuasion is on the party claiming the application of the privilege.

Courts engaging in the "touching base" analysis consider a number of factors including whether the relevant communications involved U.S. attorneys, whether the client was a U.S. resident attempting to protect a U.S. right, and whether the proceedings at issue were in the United States This analysis is highly fact-specific.

The majority of cases considering these questions have arisen in the context of patent law because patent cases are commonly disputed and litigated, and frequently involve numerous foreign parties and laws which confer varying degrees of confidentiality on communications with patent agents.

In *Golden Trade S.r.L. v. Lee Apparel Co.*, the plaintiff refused to produce documents reflecting communications between various foreign patent agents and an Italian corporation acting as agent for the plaintiff corporation in seeking foreign patents. Plaintiff asserted that these communications were protected by the attorney-client privilege because the patent agents were acting to assist an attorney in providing legal services—namely, the application for and procurement of patents. The defendants moved to compel production of the documents.[4]

U.S. Magistrate Judge Michael H. Dolinger in the Southern District of New York noted that the crucial question was "whether an American court may ever apply foreign privilege law to determine whether communications with a patent agent should be protected and, if so, in what circumstances." Noting that many foreign countries treat patent agents as the functional equivalent of an attorney, the court engaged in a traditional choice-of-law "contacts" analysis to determine which countries' privilege law applied. Because the documents in question reflected communications between an Italian corporation and foreign patent agents, none of whom were a party to the lawsuit, and were concerning patent applications in those foreign countries, the court found it to be apparent that the countries in which the patent agents worked had the dominant interest in determining whether the communications should be treated as confidential. As a matter of comity, the court looked to the law of those jurisdictions, ultimately concurring with the plaintiff that the documents were protected by a privilege that was similar, but not identical, to the American version of the attorney-client privilege.[5]

In *Odone v. Croda International PLC*, plaintiff in a patent infringement action sought to compel the release of documents exchanged by the defendant and its British patent agent. The U.S. District Court for the District of Columbia focused first on whether the withheld

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communications "touched base" with the United States. Because the documents dealt with whether the plaintiff, a U.S. citizen, was to be named as a co-inventor in the original patent and the defendants relied upon the British patent in its subsequent patent application in the United States, the court determined that the documents did indeed "touch base" with the United States.[6]

Finding that the communications "touched base" with the United States, the court stated that it was required to apply U.S. privilege law to determine if the documents properly were withheld. Concluding that U.S. law did not extend the attorney-client privilege to communications between clients and nonattorney patent agents, the court ordered the production of the documents.[7] In a factually similar case arising out of the Southern District of New York, the court stated that to so expand the attorney-client privilege to apply to patent agents "on the basis of comity would frustrate important principles of our jurisprudence which disfavor testamentary exclusionary principles and call for their confinement to their narrowest possible limits because they inhibit the truth-seeking process."[8]

These cases demonstrate that when the proceeding, client, or attorney relates to the foreign jurisdiction, foreign law will more likely apply, and, conversely, where these facts relate to the United States, U.S. law will apply. If the communications at issue do not "touch base" with the United States, a U.S. court likely will look to the law of the relevant non-U.S. jurisdiction to determine the application of any privilege. Because the nature of the privilege varies so greatly in and among foreign countries, the decision to apply the privilege law of the foreign jurisdiction likely will have significant impact.

Privilege Outside the U.S.

Although almost every country in the world recognizes some form of the attorney-client privilege, the scope of the privilege varies greatly.[9] The most important distinction between the United States and other countries is in the application of the privilege to in-house counsel. In fact, most foreign jurisdictions do not recognize an attorney-client privilege for in-house counsel at all, and where it is recognized it is not absolute.

A number of policy reasons exist for this variation. First, many foreign governments believe that in-house counsel lack the independence required to provide privileged legal advice. Foreign courts have focused on whether independence is consistent with an employment relationship, "leading to much debate over whether communications between in-house counsel (even if legal in nature) are somehow compromised or biased simply because of the employment relationship of the 'client' it is advising."[10]

Second, the legal culture in foreign countries often dictates a sharp distinction between in-house and outside counsel because in-house counsel receive a different level of legal education and professional training than other legal practitioners. "Other than the United States, the legal curriculum in most jurisdictions is part of an undergraduate study. To be admitted to the bar in most countries, a supervised apprenticeship and passage of at least one bar exam must follow this designated undergraduate course work."[11]

Law school graduates who choose not to pursue the apprenticeship, still may serve as in-house counsel, negotiating and interpreting contracts and advising on regulatory and liability issues. These individuals, however, are not necessarily members of the bar, subject to rules of ethics and professional discipline, and may not be recognized within the legal profession.[12] For this reason, the privilege that exists in most foreign countries does not extend to in-house counsel. Indeed, out of the 39 European countries surveyed by a prominent European-based law firm, only 13, or one-third, recognized the attorney-client privilege for in-house counsel.[13]

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• ***Application of Privilege to Communications With American Lawyers Overseas.*** Given the policy rationale underlying the nonapplication of the privilege to in-house counsel in many foreign countries, American attorneys not licensed to practice in the foreign country or before its bar similarly may not have access to the privilege.[14]

Indeed, the European Court of Justice has stated as much. In determining whether documents, including legal memorandum from a company's in-house counsel, were protected by the attorney-client privilege, the court ruled that not only was the attorney-client privilege inapplicable to in-house counsel, but also did not extend to any lawyer not licensed by a "Member State."[15]

In response to this decision, the House of Delegates of the American Bar Association submitted a formal protest to the European Court of Justice expressing concern that the court's finding applied not only to in-house counsel, but to all lawyers outside the European Union.[16] For instance, if an American lawyer represented a client before the European Commission, client communications would not be deemed privileged because American lawyers are not subject to the European Union disciplinary rules and procedures. As of today, the ruling still stands, although "'debate about whether the rules established in AM&S are outdated and should be changed' has been recently revived."[17]

The exclusion of U.S. attorneys from privilege protection in foreign countries is "unfair" according to one commentator, because U.S. courts do not categorically exclude foreign attorneys from enjoying the privilege. Indeed, it is possible that such disparity could be exploited by U.S. authorities who might argue a waiver has occurred when a document which would be recognized as privileged in the United States, but is not in a foreign jurisdiction, is produced in the foreign action.[18]

• ***Application of U.S. Law Despite Foreign Interests.*** Because American attorneys may not be able to claim the privilege in a foreign country, the prospect of having foreign privilege law applied in a U.S. case results in a great degree of uncertainty for American lawyers. There is a caveat to the application of foreign law in U.S. federal courts, however. Even if the choice-of-law analysis dictates the application of foreign law, a federal court still may decide to apply U.S. law if the foreign law contravenes U.S. public policies.[19]

Public policy in the United States mandates that the interest of U.S. attorneys in predicting whether their communications will be privileged be safeguarded. As set forth by the Supreme Court in *Upjohn*, "if the purpose of the attorney-client privilege is to be served, the attorney and client must be able to predict with some degree of certainty whether particular discussions will be protected."[20] It follows, therefore, that where a country's privilege law is uncertain or unclear, a U.S. court may apply U.S. law to the communication.

This was the approach taken by the Southern District of New York in *Astra Aktiebolag v. Andrx Pharmaceuticals Inc*.[21] In this patent litigation, the court was asked to consider whether plaintiff's assertion of privilege protection for various documents, including communications from outside German and Korean counsel to plaintiff's in-house counsel, was valid. Employing the "touching base" analysis, the court concluded that the foreign jurisdictions had the "predominant" or "most direct and compelling" interest in whether the documents should remain confidential. For this reason, the court noted it would defer to the privilege law of those forums "unless that foreign law is contrary to the public policy of this forum."[22]

In examining the law of Korea, the court found that no attorney-client privilege existed. Moreover, the court noted that none of the documents at issue would be discoverable in a Korean civil suit because the disclosure laws of Korea were notably narrower than those that existed in the United States. "Under these circumstances, where virtually no disclosure is contemplated, it is hardly surprising that Korea

has not developed a substantive law relating to attorney-client privilege and work product that is co-extensive with our own law. It also seems clear that to apply Korean privilege law, or the lack thereof, in a vacuum—without taking account of the very limited discovery provided in Korean civil cases—would offend the very principles of comity that choice-of-law rules were intended to protect."[23]

The court further found that ordering the disclosure of the documents would offend the public policy of the U.S. forum, which promotes full discovery, but allows for the protection of privileged documents. Holding that the application of foreign privilege law in this case would result in the disclosure of documents that were both protected under American law and not discoverable under Korean law, the district court applied its own privilege law, even though the communications did not "touch base" with the United States.[24]

Some Practical Suggestions

"Whether foreign law should play a role in defining the contours of the attorney-client privilege in any given case is a determination within the sound discretion of the court."[25] That being said, a number of steps can be taken by the white-collar practitioner to ensure that corporate client's communications are protected in the face of international investigations:

First, when initially undertaking the matter and as it develops, counsel should become familiar with the privilege and disclosure laws of the foreign jurisdictions likely to be involved in both the fact gathering and the regulatory investigation.

Second, the likelihood that a U.S. court will protect material involved in an international investigation from disclosure can be increased through reliance on connections to the United States. The involvement of in-house and external American lawyers is one way to ensure that the documents "touch base" with the United States. Conversely, if foreign authorities are the primary concern, foreign outside counsel also should be involved unless that country's law unequivocally extends the protection to in-house attorneys.

Another way to insure that a United States court will enforce the privilege according to American law is to have, to the extent possible, retainer letters or other documents defining the nature of the attorney-client relationship make clear that potential investigations or litigation in the United States is one of the bases for undertaking the representation.

Moreover, where there is a less tenuous connection to the United States, creating the possibility that a court will find that a foreign government has a more compelling interest in the production or preservation of the documents, U.S. attorneys always should evaluate whether that jurisdiction's law circumvents American public policy or whether its general disclosure rules may be more restrictive than the American rules thereby providing an alternative protective shield.

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1. N.Y. Code of Professional Responsibility DR 4-101.

2. *In re Rivastigimine Patent Litig.*, 239 F.R.D. 351 (S.D.N.Y. 2006).

3. *Astra Aktiebolag v. Andrx Pharmaceuticals Inc.*, 208 F.R.D. 92, 98 (S.D.N.Y. 2002) (citing *Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 522 (S.D.N.Y. 1992)).

4. *Golden Trade, S.r.L.*, 143 F.R.D. at 519-20.

5. Id. at 521. See also, *Willemijn Houdstermaatschaapij BV v. Apollo Computer Inc.*, 707 F. Supp. 1429, 1444-45 (D. Del. 1989) ("If the communications relate to the prosecution of a patent in the agent's native country and would be privileged under the laws of that country, the attachment of the privilege depends on the laws of that country; in other words, federal courts will apply principals of comity.").

6. 950 F. Supp. 10, 13 (D.D.C. 1997).

7. Id. at 14-15.

8. *Novamont North America Inc. v. Warner-Lambert Co.*, 1992 WL 114507, *2 (S.D.N.Y. May 6, 1992).

9. Joseph Pratt, "The Parameters of the Attorney-Client Privilege for In-House Counsel at the International Level: Protecting the Company's Confidential Information," 20 Northwestern J. of Int'l L. and Bus. 145 (Fall 1999).

10. Lisa J. Savitt and Felicia Leborgne Nowels, "Attorney-Client Privilege for In-House Counsel Is Not Absolute in Foreign Jurisdictions," The Metropolitan Corporate Counsel (October 2007).

11. Louise L. Hill, "Disparate Positions on Confidentiality and Privilege Across National Boundaries Create Danger and Uncertainty for In-House Counsel and Their Clients," BNA Corporate Practice Series, Legal Ethics for In-House Corporate Counsel (January 2008).

12. Mary C. Daly, "The Cultural, Ethical, and Legal Challenges in Lawyering for a Global Organization: The Role of General Counsel," 46 Emory Law Journal 1057 (1997); Roger J. Goebel, "Professional Qualification and Educational Requirements for Law Practice in a Foreign Country: Bridging the Cultural Gap," 63 Tulane Law Review 443, 504 (1989).

13. Eversheds, "Attorney-Client Privilege in Europe," (April 2007); see also Josephine Carr, "Are Your International Communications Protected?" 14 No. 6 ACCA Docket 32 (November/December 1996) (charting each country's application of the in-house counsel privilege).

14. See, e.g., Richard E. Donovan, "International Criminal Antitrust Investigations," 64 Antitrust L.J. 205 (1995) ("[C]ommunications with U.S. attorneys will not be recognized as a protected privileged communication, unless of course the U.S. attorney has attained the status and credentials of a Member State lawyer.") (internal citations omitted).

15. *AM&S Europe Ltd. v. Commission of the European Communities*, Case No. 155/79, [1982] E. Comm. Ct. J. Rep. 1575.

16. See Roger J. Goebel, "Legal Practice Rights of Domestic and Foreign Lawyers in the United States," RIGHTS, LIABILITY AND ETHICS IN INTERNATIONAL LEGAL PRACTICE 51, 76 n.140 (Mary C. Daly & Roger J. Goebel eds., 2004).

17. Hill, "Disparate Positions on Confidentiality," at n. 52 (citing Eric Gippini-Fournier, "Legal Professional Privilege in Competition Proceedings Before the European Commission: Beyond the Cursory Glance," 28 Fordham International Law Journal 967, 968 (2005)).

18. Maurits Dolmans, "Attorney-Client Privilege for In-House Counsel: A European Proposal," 4 Colum. J. Eur. L. 125, 129 (1998).

19. *Astra Aktiebolog v. Anrx Pharms.*, 208 F.R.D. 92, 98 (S.D.N.Y. 2002); *Golden Trade, S.r.L.*, 143 F.R.D. at 518-519.

20. 449 U.S. 383, 393 (1981).

21. 208 F.R.D. 92 (S.D.N.Y. 2002).

22. Id. at 98.

23. Id. at 102.

24. Id. (citing *Golden Trade*, 143 F.R.D. at 520-23). But see, *In re Rivistigmine Patent Litig.*, 327 F.R.D. 69 (S.D.N.Y. 2006) (court declined to extend *Astra* to communications between Swiss in-house counsel and company employees; "[t]he absence of privilege results not from the lack of comparability of the Swiss and US legal systems, but from the fact that Swiss law specifically excludes the documents at issue from the privilege it recognizes").

25. *Madanes v. Madanes*, 199 F.R.D. 135, 145 (S.D.N.Y. 2001).