

# Attorney-client privilege in global disputes: Safeguarding secrets in cross-border litigation

By **Tim Carroll**

Law360 Canada (June 19, 2024, 7:55 AM EDT) -- Like their colleagues in the United States and Europe, in-house counsel in Canada often rely on attorney-client privilege to guide their company and protect communications with senior leaders in high-stakes litigation.

When legal disputes involve parties in the United States or European Union, Canadian in-house counsel must navigate privilege rules that vary from country to country — and even inadvertent missteps can bring devastating consequences.

Understanding privilege and privilege waiver in Canada, the United States and the European Union can help in-house counsel in Canada mitigate risk and protect privileged information.



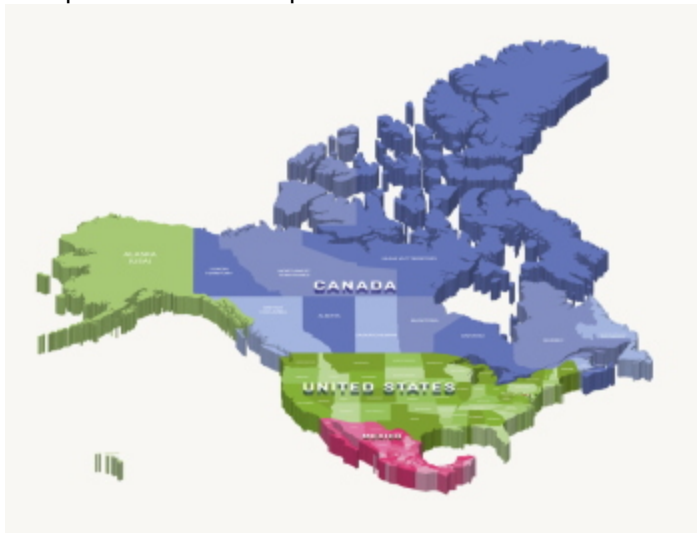
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## An overview of privilege in Canada, the United States and the European Union

Privilege rules in Canada, the United States and the European Union share three broad elements. Generally speaking, for privilege to apply, a communication must:

- Be confidential.
- Share legal advice.
- Occur in a lawyer-client relationship.

Yet differences exist between privilege rules and practice in Canada, the United States and the European Union on topics such as



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investigative documents and the rights of government regulators to access legal communications. Understanding those differences can help in-house counsel avoid the biggest privilege risk in a cross-border dispute — waiving privilege, which can happen inadvertently.

A recent U.S. case exemplifies the stakes. In *SB IP Holdings LLC v. Vivint, Inc.*, a judge ruled the plaintiff had waived attorney-client and work-product privilege with respect to advice about a patent it asserted against Vivint.

The court reasoned that SB IP had disclosed privileged communications to the U.S. patent office in an attempt to revive an abandoned patent application. By doing that, the judge found, SB IP placed the legal advice “at issue” and opened the door for Vivint to seek discovery of those communications.

## **10 ways in-house counsel in Canada can preserve privilege in international litigation**

Preserving attorney-client privilege demands a strategic and informed approach tailored to the particularities of each jurisdiction. Here are 10 things Canadian in-house counsel should do in cross-border disputes:

### **1. Designate client representatives**

- Limit privilege application to individuals designated to communicate with counsel in each jurisdiction.

### **2. Maintain confidentiality**

- Safeguard privileged materials — physical and electronic — with robust confidentiality measures. Implement access controls, encryption and confidentiality markings to prevent unauthorized disclosure.

### **3. Understand scope variations**

- Recognize variations in privilege scope across jurisdictions and consider adopting the narrowest standard, such as the EU standard. Segregate jurisdiction-specific communications when possible. The EU Court of Justice has declined to recognize in-house lawyer communications as privileged if legal advice was not the document’s predominant purpose (*Akzo Nobel Chemicals Ltd. and Akcros Chemicals Ltd. v. European Commission*, C-550/07 P, 2010).

### **4. Involve legal counsel**

- Engage legal counsel to reinforce privilege claims, particularly in the European Union, where stringent requirements apply.

### **5. Prepare detailed privilege logs**

- Maintain logs documenting privileged communications. Courts scrutinize logs to assess waiver risks, making it imperative to demonstrate each communication's privileged nature.

### **6. Provide training**

- Train client representatives on privilege standards and waiver risks specific to each jurisdiction. Prioritize preservation through compliance training.

### **7. Consult local counsel**

- Seek guidance from legal experts well-versed in privilege laws and practices in each jurisdiction.

### **8. Address transnational investigations**

- Consider seeking declaratory relief to protect privileged interests. When engaging with regulatory bodies in Europe, stay vigilant about asserting privilege as their inquiries may reach beyond what parties typically experience in Canada or the United States.

### **9. Limit third-party disclosures**

- Exercise caution when disclosing privileged materials to third parties, limiting disclosures to necessary parties under strict confidentiality agreements. Avoid broad disclosures that

could risk privilege waiver. A U.S. court has concluded a company waived privilege for in-house lawyer communications shared with corporate affiliates (*Gucci Am., Inc. v. Guess?, Inc.*, 271 F.R.D. 58 (S.D.N.Y. 2010)).

#### 10. Review outsourcing practices

- Evaluate data governance and outsourcing practices to prevent inadvertent disclosure or privilege waiver. Safeguard privileged materials during transmission and storage. The U.S. Court of Appeals held that outsourcing legal work to a third party waived privilege due to insufficient confidentiality protocols (*United States v. ISS Marine Servs., Inc.*, 905 F. Supp. 2d 121, 125 (D.D.C. 2012)).

### In more detail: How privilege rules differ in Canada and the United States

#### • In-house counsel

- **Canada:** Privilege extends to in-house counsel, ensuring corporate communications receive the same protection as those with external legal advisors.
- **United States:** Privilege generally extends to in-house counsel, but some U.S. courts narrow the application by differentiating between in-house and external counsel.

#### • Investigation documents

- **Canada:** Canadian general counsel must leverage litigation privilege and understand the nuances of the work product doctrine in U.S. proceedings.
- **United States:** Fortifies the confidentiality of materials prepared for litigation through its work product doctrine, a safeguard with no explicit parallel in Canada.

#### • Government disclosure

- **Canada:** Regulators do not have the power to insist on the production of privileged documents in investigations.
- **United States:** The risk of privileged document disclosure to regulators is a critical concern during investigations. The level of protection varies by jurisdiction, potentially leaving sensitive legal communications vulnerable.

#### • Third-party communications

- **Canada:** Offers clear and expansive privilege protections, including interactions with experts.
- **United States:** Treatment differs across jurisdictions.

#### • Nuances of waiver: Canadian reluctance vs. U.S. expansiveness

- **Canada:** Relinquishing privilege must be deliberate and voluntary.
- **United States:** Even accidental disclosures can lead to waiver.

#### • Third-party disclosure

- **Canada:** Inadvertent disclosure is analyzed under the strict test of whether a party took reasonable steps to avoid it.
- **United States:** A party may waive privilege even if disclosure was inadvertent or to an allied party (*In re Pacific Pictures Corp*, 679 F.3d 1121 (9th Cir. 2012)). For instance, a Pennsylvania court deemed a hospital general counsel waived privilege by forwarding an email containing legal advice to a PR firm (*BouSamra v. Excelsa Health*, 653 Pa. 365, 210 A.3d 967 (2019)).

##### ▪ Conflict of interest scenarios

- In the U.S., sharing privileged materials with third parties can nullify protections if conflicts of interest exist.

- In *SEC v. Mazzo*, materials from an internal investigation were shared with a third party.
    - The court ruled this constituted waiver of privilege.
  - **Advice of counsel defence**
    - A party using this defense opens the door to attorney-client communications that normally are protected — it generally results in a waiver *United States v. Cohn*, 303 F. Supp. 2d 672, 681 (D. Md. 2003); *Hearn v. Rhay*, 68 F.R.D. 574 (E.D. Wash. 1975)).
    - By using attorney-client advice in their defense strategy, a company may inadvertently waive privilege.
    - In Canada, placing advice in issue does not waive privilege without an attempt to prove/disprove the advice through privileged evidence (*Zurich Insurance Co. v. Ontario (Human Rights Commission)*, [1992] O.J. No. 869).
  - **Subject matter waiver**
    - **Canada:** Waiver is limited to the communication disclosed, not the entire subject area (*Blank v. Canada (Minister of Justice)*, 2006 SCC 39).
    - **United States:** Some U.S. circuits have adopted a “subject matter waiver” rule (*Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340 (Fed. Cir. 2005)). Canadian general counsel may inadvertently waive privilege for all communications concerning the same subject, not just the specific document or communication in question.
      - Some U.S. courts say a waiver should go beyond initially disclosed communication to encompass other communications related to key issues of the case.
        - U.S. courts assert it would be inequitable for a party to selectively disclose favourable legal opinions while withholding communications that informed those opinions (*Fort James Corp. v. Solo Cup Co.*).
        - The U.S. Federal Circuit held that a defendant's reliance on an in-house opinion waived privilege as to its outside-counsel opinion because the outside opinion involved “the same subject matter” as the in-house advice (*In re EchoStar Commc'ns Corp.*, 448 F.3d 1301 (Fed.Cir.)).
- **Discovery**
  - **Canada:** Parties are entitled only to materials deemed “necessary” for the case.
  - **United States:** Parties can request a sweeping range of documents and depose witnesses extensively.
- **E-Discovery safeguards**
  - The Creative Pipe case provides a stark reminder of the perils of navigating U.S. discovery without safeguards (*Victor Stanley, Inc. v. Creative Pipe, Inc.*, 250 F.R.D. 251 (D. Md. 2008)).
  - The use of an unverified keyword search tool inadvertently identified and disclosed 165 documents containing privileged data, including emails between the party and counsel.
  - The court criticized Creative Pipe for failing to take reasonable precautions to safeguard the confidentiality of sensitive information before allowing the plaintiff access.
  - Understanding technological tools can help defend against inadvertent disclosure.
- **Contempt in discovery**
  - The case of TR Investors involved the sanctity of privilege in discovery and illustrates how actions a court deems contemptuous can compromise privilege.
  - In TR Investors, the defendant directed an IT consultant to purge the computer system. The court deemed this an intentional destruction of documents, found the defendant in contempt and ordered disclosure of previously privileged documents (*TR Investors, LLC v. Genger*, 2009 WL 4696062 (Del. Ch. Dec. 2, 2009)).

- The defendant also was ordered to reimburse the plaintiff \$750,000.

- **Judicial discretion**

- Canadian courts traditionally show greater deference to maintaining privilege than U.S. courts.
- U.S. judges often engage in a case-by-case assessment, weighing the right to privilege against demands for evidentiary disclosure. Canadian courts are less inclined to override privilege.
- In Canada, the threshold is considerably higher for compelling disclosure of privileged information.

## How Canada and the United States differ from the European Union

Understanding distinctions in privilege by region is crucial in crafting a legal strategy that safeguards privileged communications. Here are the key points to consider:

### Scope of privilege

- **Canada:** Broad, covering in-house and external counsel.
- **United States:** Broad, encompassing all corporate communications.
- **European Union:** Limited, excluding in-house counsel.

### Protection for in-house counsel

- **Canada/United States:** Privileged.
- **European Union:** Not privileged.

### Work product doctrine

- **Canada/United States:** Protects litigation-related materials.
- **European Union:** No equivalent.

### Choice of law

- **Canada/United States:** Privilege can depend on whether federal or state/provincial law applies.
- **European Union:** Law on privilege pre-empts national laws. The scope is uniform across member states.

### Regulatory and investigatory context

- **Canada/United States:** Consistent application of privilege.
- **European Union:** More restrictive, especially in competition law investigations.

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