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Privilege Caselaw Developments

In our fourth in a series of occasional alerts on the law of privilege, we present three recent federal court cases of potential interest. *First*, ***RTC Industries, Inc.* v. *Fasteners for Retail, Inc.*** demonstrates the importance of careful planning and rigorous procedures when conducting a privilege review and drafting a privilege log. *Second*, ***AgroFresh Inc.* v. *Essentiv LLC*** discusses how common interest privilege can be invoked, on the basis of a letter of intent, to protect communications between parties presently engaged in negotiating a joint-venture agreement. *Third*, ***In re Signet Jewelers Limited Sec. Litig.*** considers whether and when communications involving a public-relations firm can be protected by attorney-client privilege.

RTC Industries, Inc. v. *Fasteners for Retail, Inc.*, No. 1:17-cv-03595, 2019 WL 5003681 (N.D. Ill. Oct. 8, 2019).

Privilege logs are labor intensive but important because they are necessary to safeguard legal privileges and prevent waiver. Parties withholding information on the basis of privilege must "describe the nature of the documents, communications, or tangible things not produced or disclosed—and do so in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the claim." Fed. R. Civ. P. 26(b)(5)(ii). In *RTC Industries, Inc.* v. *Fasteners for Retail, Inc.*, the court resolved a "litany of disputes" regarding the parties' privilege logs. 2019 WL 5003681 at *1. This decision illustrates various pitfalls to avoid in constructing privilege logs.

RTC Industries, Inc. ("RTC"), a maker of merchandise display and other consumer retail systems, filed a patent infringement lawsuit against Fasteners for Retail, Inc. ("FFR"). RTC's lawsuit centered on FFR's Power Zone Kwik-Set Self-Facing System, a mechanical device that presses a line of units of a product forward when a customer pulls the front item off the shelf. During discovery, each party challenged the other's privilege log. The court issued a 41-page order resolving disagreements. Large portions of the opinion dealt with systemic problems of which litigants may wish to take note in structuring their privilege reviews.

Be able to identify related or duplicate documents. FFR had difficulty identifying documents affected by changes in its privilege determinations. When it clawed back documents, it used new Bates numbers for the redacted versions and only belatedly provided the Bates numbers for the original versions. The court highlighted the importance of identifying the documents that the parties clawed back so that they could assess the stated bases for privilege. Conversely, when it produced other documents in full over which it had previously asserted privilege, FFR contended it was too burdensome to identify for RTC the Bates

numbers of the previously withheld or redacted documents. The court disagreed, observing that "FFR knows exactly where the documents at issue can be found its production," and ordered FFR to give RTC this information. *Id.* at *10.

Include accurate bibliographic information. FFR's initial privilege log had incorrect authors for over 250 entries, amounting to almost 25 percent of its log. FFR attributed these mistakes to metadata issues and corrected its log. RTC sought production of these documents, arguing that FFR had waived the privilege. The court did not find that FFR had forfeited privilege over these documents. However, it did call the authorship changes a "concern," remarking that "assessing the author(s) of a document is a fundamental step in determining whether [a] document is privileged." *Id.* at *9. It ordered FFR to provide a more detailed explanation for each entry. Furthermore, it directed FFR to identify the company and role of each individual no longer appearing on the log, suggesting that any third parties "may present an issue of waiver that RTC is entitled to explore." *Id.* at *10.

Include complete information on recipients. FFR highlighted examples of documents on RTC's log that were lacking information about the recipients of allegedly privileged communications. RTC added the recipients for the documents FFR identified. However, it refused to provide this missing information for other documents in its log, arguing that it had no way of identifying other entries with this issue. The court rejected this argument, describing this problem as "an easily discernable global issue" and noting that "only RTC's counsel knows whether this information is unavailable, or alternatively, available but not identified." *Id.* at *21. It ordered RTC to provide all missing recipient information, and it ordered FFR to do the same, having found documents in the *in camera* sample whose log entries did not list the recipients.

Provide sufficiently detailed document descriptions. Both parties complained that the other's descriptions for documents lacked sufficient detail. For instance, FFR pointed to RTC entries referring to "patent prosecution," "contract issues," and "sales issues." *Id.* at *3. RTC pointed to FFR subject matters that included "intellectual property," contracts," and "product samples." *Id.* at *2. Neither party articulated what they contended the appropriate level of detail should be. Observing that "the level of specificity required for a privilege entry is the same for both parties," the court ordered them "to meet and confer regarding the level of detail each party asserts is necessary to resolve the issue." *Id.* at *4.

Ensure responsiveness and relevance. The disputes over the logs revealed a basic substantive error that each party made in its privilege assertions. RTC conceded that numerous documents that FFR challenged, even if not privileged, were not relevant or responsive. It even admitted that it had not reviewed some of the documents for relevance. The court deemed this aspect of RTC's log "unacceptable," due to the potential to "obscure relevant privilege log entries" with irrelevant ones that are unnecessary to review. *Id.* at *17. The court found that RTC "forfeited any responsiveness or relevant objection" and ordered it to produce all non-privileged documents. *Id.* at *18.

Clarify relationships with third parties. FFR asserted privilege over communications with employees of a company called Olympus Partners. When RTC challenged this assertion, FFR failed to "clearly lay out the actual relationship" between FFR and Olympus Partners. *Id.* at *6. It asserted that Olympus Partners only provided advisory services to a similarly named entity that indirectly owned FFR and was "not in a typical parent-subsidiary or shareholder relationship with FFR." *Id.* at *7. Accordingly, the court found that FFR waived its attorney-client privilege over communications with Olympus Partners employees, other than those who sat on FFR's board of directors.

Careful planning and rigorous procedures for devising privilege reviews and drafting privilege logs, and meeting and conferring with adversaries to agree on standard protocols, can help to avoid the types of problems the litigants in this case faced.

AgroFresh Inc. v. *Essentiv LLC*, No. 1:16-cv-662, 2019 WL 4917894 (D. Del. Oct. 4, 2019)

AgroFresh Inc. v. *Essentiv LLC* provides an example of the common-interest doctrine applying as soon as two parties executed a letter of intent, even if they had not consummated a more formal agreement. A magistrate judge had previously ruled that the common-interest doctrine only attached later when a formal agreement was reached; a district court judge disagreed and found legal interests sufficiently identical at the time a letter of intent was signed.

The common-interest doctrine provides an exception to the general rule that disclosure of attorney-client privileged information to a third party waives the privilege. 2019 WL 4917894 at *2. Attorney-client privileged materials disclosed to a third party are protected by the common-interest doctrine where the disclosure was made to a party with identical legal interests and the disclosure "would not have been made but for the sake of securing, advancing, or supplying legal representation." *Id.* (quoting *In re Regents of Univ. of Cal.*, 101 F.3d 1386, 1389 (Fed. Cir. 1996)).

In the underlying case, AgroFresh Inc. sued Decco U.S. Post-Harvest Inc. and MirTech, Inc. for patent infringement, breach of contract, and other state law torts. AgroFresh moved to compel communications, including both Decco and MirTech attorneys and/or employees. *See id.* at *3. Decco argued such communications were privileged and covered by the common-interest doctrine because Decco and MirTech had shared legal interests as of the date they executed a Letter of Intent to form an alliance for the commercialization of MirTech's technologies.[1] *See id.* at *1–2; ECF No. 340 at p. 3. The magistrate judge disagreed, and held that the common-interest privilege did not attach until Decco and MirTech executed a formal LLC joint-venture agreement two years after the Letter of Intent was signed. *AgroFresh*, 2019 WL 4981784, at *2. Decco objected to the magistrate judge's opinion, and the district judge reversed the opinion, finding the conclusion clearly erroneous. *See generally id.*

[1] MirTech had already been dismissed from the case at the time of this dispute. *See* ECF No. 376.

The district judge held that the Letter of Intent created a shared legal interest between Decco and MirTech "separate and apart" from the joint venture the parties were still negotiating. *Id.* at *2. In the Letter of Intent, Decco and MirTech agreed that their prospective relationship would have three phases, the first of which began on the date the Letter of Intent was signed. *Id.* For the first phase of the parties' relationship, the Letter of Intent imposed an obligation on MirTech to prosecute patents and patent applications, and an obligation on Decco to obtain opinions of counsel for the "[r]ight to [p]ractice" the inventions. *Id.* at *2. As a result, the district judge agreed with Decco that the Letter of Intent created "shared common legal interests in three aspects: (1) procuring intellectual property, (2) conducting due diligence to avoid patent infringement by obtaining an opinion of counsel, and (3) exploiting patented technology through a potential joint venture." *Id.*

The district court also held that the Letter of Intent was a formal agreement because it was signed, the parties agreed to keep it confidential, and Decco was obligated to pay MirTech $250,000 after the completion of due diligence. *Id.* at *3. Although the Letter of Intent referenced future negotiations, the district judge did not find that provision significant to the common-interest privilege analysis because it did not concern the responsibilities the Letter of Intent imposed on the parties during the first phase of their relationship. *Id.*

The district judge therefore held that the communications at issue, all of which post-dated the execution of the Letter of Intent, were protected. *Id.* at *4–5. In so ruling, the district judge also held that the common-interest privilege protected communications that did not include an attorney because those communications forwarded, copied and pasted, or referenced questions or messages from Decco's attorneys. *Id.*

This decision demonstrates that the common-interest doctrine may be held to protect communications between two parties who are still negotiating a joint-venture agreement (or other ultimate agreement) if the parties execute a letter of intent sufficient to set forth immediate obligations of the parties demonstrating a shared legal goal.

***In re Signet Jewelers Ltd. Sec. Litig.*, No. 1:16-cv-06728, 2019 WL 4197201 (S.D.N.Y. Sept. 5, 2019), *aff'd*, 2019 WL 5558081 (S.D.N.Y. Oct. 23, 2019).**

In re Signet Jewelers Ltd. Sec. Litig. reflects a recent analysis under federal common law on whether and when communications with a public relations firm, advising on litigation-related matters, waives privilege. It distinguished a prior case, *In re Grand Jury Subpoenas Dated March 24, 2003*, 265 F. Supp. 2d 321 (S.D.N.Y. 2003), in which some such communications were held to be privileged. The *Signet* court held that the facts of *In re Grand Jury Subpoenas* reflected an extremely narrow range of communications in an extremely narrow range of circumstances that differed from the circumstances in *Signet*.

In *Signet*, plaintiffs alleged that Signet Jewelers Limited and certain of its executives "committed securities fraud by misrepresenting (1) the health of Signet's credit portfolio, and (2) Signet's alleged 'pervasive' culture of sexual harassment." 2019 WL 4197201, at *1. Both of these allegations were ultimately prompted by a series of media articles critical of Signet Jewelers.

After articles were published describing Signet Jewelers' alleged practice of "fraudulently stating its financials to conceal the quality of its in-house consumer lending program," Signet's in-house counsel formed a "strategic communications steering committee" composed of public relations firms, outside counsel, and members of Signet management "to discuss a communications strategy to neutralize the climate of negative and often inaccurate media coverage in light of the legal and reputational risks facing the company." *Id.* After the lawsuit was filed, the *Washington Post* published another article "containing salacious allegations of sexual harassment at Signet," prompting Signet's outside counsel to again retain the services a public relations firm. *Id.* When Signet redacted or withheld communications that included the counsel-retained PR firms, plaintiffs moved to compel their production. It led to an *in camera* review of an exemplar selection of the documents.

Signet argued that the documents were protected under the *In re Grand Jury Subpoenas* authority. The magistrate judge disagreed. *Id.* at *4. In *In re Grand Jury Subpoenas*, an attorney, representing "a high profile target of a criminal investigation," retained the public relations firm "to conduct a media campaign in an effort to paint the target in a favorable light so that the prosecutors might feel less pressure to indict." *Id.* at *3 (quoting *Universal Standard Inc.* v. *Target Corp.*, 331 F.R.D. 80, 91-92 (S.D.N.Y. 2019)).

The magistrate judge concluded that, in contrast to *In re Grand Jury Subpoenas*, the "PR firms here were not called upon to perform a specific litigation task that the attorneys needed to accomplish in order to advance their litigation goals." *Id.* at *4. Instead, the firms were engaged in "public relations activities aimed at burnishing Signet's image," which falls within the "general rule" that communications involving attorneys and public relations firms cannot be withheld under the attorney-client privilege. *Id.*

The magistrate judge also held that none of the communications that had been submitted for *in camera* review were even directed at giving or obtaining legal advice. *Id.*

The district court affirmed in all respects. 2019 WL 5558081, at *1. Judge McMahon observed that the communications in question "were quite obviously made to get [and give] advice about the best way, as a matter of public relations, for Signet to respond to unflattering publicity," Judge McMahon said it was "utterly immaterial" "that lawyers were involved in the discussion." *Id.* She accordingly criticized Signet's characterization of the documents as being made "for the purposes of obtaining [or giving] legal advice from a lawyer"—noting that "[b]y insisting that the communications discussed above dealt with matters relating to Signet's legal disclosure obligations, when on their face they plainly do not, Defendants misrepresent the contents of the email to the court." *Id.*

She also agreed with the magistrate judge that portions of email that might be considered privileged were waived by forwarding them to the PR firm, since the email was not forwarded for the purpose of obtaining legal advice from a lawyer. On this point, the court instructed: "[i]f parties wish to retain the benefits of the attorney-client privilege, they should be equally careful to circumscribe communications that convey legal advice on disclosure obligation from communications with public relations firms that are consulted for the purpose of discharging those obligations in a manner most flattering to company interests." *Id.*

The decision is a good example of why appropriate precautions should be taken in safeguarding privilege when working with a PR firm or other third parties, and the care lawyers should take in representing to a court the content of withheld documents.

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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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