Taking Advantage of Multi-State Options

In-House Counsel Licensing and the Attorney-Client Privilege

By Mark J. Fucile

Over the past decade, multistate licensing for in-house counsel has become significantly easier. A much-publicized federal trial court decision last year, however, highlights a continuing risk if in-house counsel do not take advantage of the more liberal licensing procedures now found in many states: possible loss of the attorney-client privilege. In this column, we'll first survey the changes that have made multistate licensing a much smoother exercise for in-house counsel. We'll then turn to the continuing risk to the attorney-client privilege as illustrated by *Gucci America, Inc. v. Guess?, Inc.*, No. 09 Civ. 4373 (SAS) (JLC), 2010 WL 2720079, 2010 U.S. Dist. Lexis 65871 (S.D.N.Y. June 29, 2010).

In-House Counsel Licensing

Multistate licensing long presented a distinct challenge for in-house counsel. Many in-house counsel move frequently around the country due to their jobs—or, indeed, the world—in the course of their careers. Taking another bar exam at each stop presented a difficult, practical barrier for both in-house counsel and their corporate employers.

In 2000, the ABA established a special commission to examine many facets of "multijurisdictional" practice (MJP), including in-house counsel licensing. The ABA Commission on Multijurisdictional Practice issued a comprehensive report in 2002 that was taken up by the ABA House of Delegates that same year as a part of a broader effort to update the Model Rules of Professional Conduct. Those efforts produced a new rule on MJP—Model Rules of Prof'l Conduct R. 5.5. A key component of Model Rule 5.5 focuses on in-house counsel. Section (d)(1) allows an in-house counsel to practice in another jurisdiction, provided the lawyer remains actively licensed in at least one state or the District of Columbia:

> (d) A lawyer admitted in another United States jurisdiction, and not disbarred or suspended from practice in any jurisdiction, may provide legal services in this jurisdiction that:
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> (1) are provided to the lawyer's employer or its organizational affiliates and are not services for which the forum requires pro hac vice admission[.]

In the wake of Model Rule 5.5 and its wide adoption nationally, some states, such as Washington, require no additional licensing of in-house counsel as long as they maintain an active license in at least one state. Others, such as Oregon, simply require registration of in-house counsel, again, as long as they maintain an active license in at least one state. A list of in-house counsel admission rules is available from the ABA Center for Professional Responsibility. *See* ABA Center for Prof'l Responsibility, Model Rule for Registration of In-House Counsel, In-House Corporate Council Rules (Apr. 12, 2010), http://www.abanet.org/cpr/mjp/in-house_rules.pdf.

Although many states have also adopted broad general reciprocal admission, Model Rule 5.5 and in-house counsel registration have significantly eased practical barriers to in-house lawyer mobility in particular.

License Status and the Attorney-Client Privilege

Gucci was a trademark infringement case. During discovery, Gucci produced a privilege log that included a number of e-mails with one of its in-house counsel, Mr. Moss. The in-house counsel, Mr. Moss, later had his deposition taken and admitted that he did not have an active license in any state. Subsequent investigation revealed that Mr. Moss had been admitted in California in 1993 but transferred to "inactive" status in 1996. Under California licensing regulations, "inactive" status prohibits the practice of law. Mr. Moss had joined Gucci after he had changed his license status to "inactive" and had risen to "Director of Legal and Real Estate," apparently without telling his employer. Gucci thought that Mr. Moss was a lawyer but never checked.

Following the deposition, Guess demanded the e-mails, arguing that Mr. Moss's lack of an active license precluded protection under the attorney-client privilege. Gucci, in turn, sought a protective order—contending that the attorney-client privilege should still apply because Gucci had thought that Mr. Moss was a lawyer. In doing so, Gucci relied on commentary and case law

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suggesting that the privilege should apply when a client reasonably believes that it has consulted with an attorney. The court found that even if Gucci was correct on that legal point, its failure to verify Moss' license status was unreasonable under the circumstances for a corporate employer: "Gucci was plainly in a position to confirm the extent of his qualifications as a legal professional, and failed to do so." 2010 WL 2720079, at *7, 2010 U.S. Dist. Lexis 65871, at *24.

Gucci echoes a similar conclusion by another federal trial court 10 years earlier: *Financial Technologies Intern., Inc. v. Smith*, No. 99 CIV. 9351 GEL RLE, 2000 WL 1855131, 2000 U.S. Dist. Lexis 18220 (S.D.N.Y. Dec. 19, 2000). As in *Gucci*, the *Financial Technologies* court found that the attorney-client privilege did not apply when a corporate employer failed to verify whether an in-house counsel actually had a license—when, in fact, he did not.

Summing Up

Multistate licensing for in-house counsel has become much easier in recent years, and *Gucci* underscores that in-house lawyers need to take advantage of those options. If not, they may be putting their corporate employers' attorney-client privilege at risk. FD