United States Court of Appeals

FOR THE DISTRICT OF COLUMBIA CIRCUIT

Argued November 15, 2017 Decided June 19, 2018

No. 16-5356

FEDERAL TRADE COMMISSION,
APPELLANT

v.

BOEHRINGER INGELHEIM PHARMACEUTICALS, INC.,
APPELLEE

Consolidated with 16-5357

Appeals from the United States District Court
for the District of Columbia
(No. 1:09-mc-00564)

Mark S. Hegedus, Attorney, Federal Trade Commission, argued the cause for appellant. With him on the briefs were David C. Shonka, Acting General Counsel, and Joel Marcus, Deputy General Counsel for Litigation.

Lawrence D. Rosenberg argued the cause for appellee. With him on the briefs were Michael Sennett and Nicole C. Henning.

John P. Elwood, Zachary J. Howe,

amicus curiae Chamber of Commerce of the United States of America and Association of Corporate Counsel in support of Boehringer Ingelheim Pharmaceuticals, Inc. Warren D. Postman entered an appearance.

Before: KAVANAUGH and PILLARD, Circuit Judges, and RANDOLPH, Senior Circuit Judge.

Opinion for the Court filed by Circuit Judge KAVANAUGH, with whom Circuit Judge PILLARD and Senior Circuit Judge RANDOLPH join.

Concurring opinion filed by Circuit Judge PILLARD.

KAVANAUGH, Circuit Judge: The pharmaceutical company Boehringer claimed attorney-client privilege cs

patentholderto "pay the alleged infringer, rather than the other way around." FTC v. Actavis, Inc., 570 U.S. 136, 141 (2013).

In Actavis, the Supreme Court analyzed the legality of reverse payments. If the payments are made simply to avoid litigation costs, they may be lawful. But if "the basic reason is a desire to maintain and to share patent-generated monopoly profits," then "the antitrust laws are likely to forbid the arrangement." Id. at 158.

In 2008, a patent negotiation occurred between Boehringer (the name brand with the patent) and Barr (the generic seeking to challenge the patent). Ultimately, the parties reached a reverse payment settlement.

The Federal Trade Commission pays close attention to reverse payment settlements to ensure that they do not run afoul of antitrust law. In 2009, the Commission began investigating the Boehringer-Barr settlement. During the investigation, the Commission subpoenaed documents from Boehringer. Boehringer claimed that the subpoenaed documents were created by Boehringer employees.

Commission challenges the legal test employed by the District Court, our review is de novo. To the extent the Commission challenges the facts found by the District Court, our review is for clear error.

II

As relevant here, the attorney-client privilege applies to a confidential communication between attorney and client if the communication was made for the purpose of obtaining or providing legal advice. See Upjohn Co. v. United States, 449 U.S. 383 (1981); In re Kellogg Brown & Root, Inc., 756 F.3d 754, 757 (D.C. Cir. 2014). The privilege covers both (i) those communications in which an attorney gives legal advice, and (ii) those communications in which the client informs the attorney of facts that the attorney needs to understand the problem and provide legal advice.

In the corporate context, the attorney-client privilege applies to communications between corporate employees and a corporation's counsel made for the purpose of obtaining or providing legal advice. The privilege applies regardless of whether the attorney is in-house counsel or outside counsel.

The application of the attorney-client privilege can become more complicated when a communication has multiple purposes – in particular, a legal purpose and a business purpose. In this case, for example, the communications had a legal purpose: to help the company ensure compliance with the antitrust laws and negotiate a lawful settlement. But the communications also had a business purpose: to help the company negotiate a settlement on favorable financial terms.

In a situation like this, where a communication has multiple purposes, courts apply the "primary purpose" test to determine

whether the communication is privileged. *See Kellogg*, 756 F.3d at 759. In *Kellogg*, this Court recently explained that courts applying the primary purpose test should not "try to find the one primary purpose" of a communication. Attempting to do so "can be an inherently impossible task" when the communications have "overlapping purposes (one legal and one business, for example)." *Id.* "It is often not useful or even feasible to try to determine whether the purpose was A or B when the purpose was A and B." *Id.* Rather, courts applying the primary purpose test should determine "whether obtaining or providing legal advice was one of the significant purposes of the attorney-client communication." *Id.* at 760 (emphasis added); *see* 1 RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 72, Reporter's Note, at 554 (2000).

Our approach to this issue, as we explained in

privilege because one of the significant purposes of the communications was "obtaining or providing legal advice"—namely, settlement and antitrust advice. Kellogg, 756 F.3d at 758.

To be sure, the communications at issue here also served a business purpose. The decision whether and at what price to settle ultimately was a business decision as well as a legal decision for Boehringer. But as we stated in Kellogg, what matters is whether obtaining or providing legal advice was one of the significant purposes of the attorney-client communications. Here, as the District Court correctly concluded, one of the significant purposes of these communications was to obtain or provide legal advice. It follows that Boehringer's general counsel was acting as an attorney and that the communications are privileged.

In so ruling, we emphasize that 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, 449 U.S. at 395. In this case, therefore, the attorney-client privilege did not and does not prevent the FTC's discovery of the underlying facts and data possessed by Boehringer and its employees. Nor did it prevent the FTC's discovery of preexisting business documents. But the attorney-client privilege does protect the communication of facts by corporate employees to the general counsel when, as here, the communications were for the purpose of obtaining or providing legal advice. As the Upjohn Court noted, discovery "was hardly intended to enable a learned profession to perform its functions . . . on wits

borrowed from the adversary." Id.

PILLARD, Circuit Judge, concurring: I agree with the opinion of the court as far as it goes. I write separately to emphasize why the spare elegance of the court's opinion should not be mistaken for an expansion of the attorney-client privilege recognized in our prior precedents: In short, the district court engaged extensively with the disputed documents and the bases for the privilege claims, and followed certain truncated procedures only with the parties' consent.

As an exception from the general presumption in favor of discovery, the "attorney-client privilege must be strictly confined within the narrowest possible limits consistent with the logic of its principle." In re Lindsey, 158 F.3d 1263, 1272

Case (1984), 737 F.2d at 99. As the court emphasizes, however, 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." Op. 6 (quoting Upjohn Co. v. United States, 449 U.S. 383, 395 (1981)).

The FTC does not dispute the status of the documents as "communications" between lawyer and client, see Oral Arg. Tr. at 12, instead focusing on the magistrate judge's conclusion that Boehringer had met its burden to show that the communications at issue had a significant legal purpose. Where a privilege claimant has closely intertwined purposes—a legal purpose as well as a business purpose—it must still establish to a "reasonable certainty," Sealed Case (1984), 737 F.2d at 99, that "obtaining or providing legal advice was one of the significant purposes" animating each communication withheld, Kellogg Brown & Root, 756 F.3d at 758-59. Neither a general statement that the lawyer wore both lawyer and businessperson "hats" during the communications nor a blanket assertion of legal purpose is enough. See Sealed Case (1984), 737 F.3d at 99; Lindsey, 158 F.3d at 1270. Nor is it sufficient to offer as support privilege logs with bare, conclusory assertions that the listed communications were made for the purpose of securing legal advice. See Texaco for N.Y.C., 249 F.3d at 1088-92; accord Equal Employment Opportunity Commission v. BDO USA, L.L.P., 876 F.3d 690, 696 (5th Cir. 2017). The claimant must instead "present to the court sufficient facts to establish the privilege" so that the court is in a position independently to review the legal purpose assertion for each relevant communication. Sealed Case

that considerable burden in this case. FTC v. Boehringer Ingelheim Pharm., Inc., 180 F. Supp. 3d 1, 6 (D.D.C. 2016). That decision is not clearly erroneous. The burden-of-proof issue is, to be sure, somewhat obscured on this record because of the special process the parties adopted. In response to the FTC's 2009 subpoena, Boehringer initially produced

attorney-client privilege, the sample documents it reviewed in camera, and the record, which included Boehringer's supporting ex parte affidavit and its privilege logs, the court sustained Boehringer's claims of attorney-client privilege. It determined that Boehringer offered more than conclusory assertions that each of the disputed communications had a legal purpose and, after confirming those assertions through its own review of the documents, credited Boehringer's contention that obtaining legal advice was a significant purpose animating each communication. Id. at 29-30.

The court enjoys considerable discretion in making that determination in the first instance, and we owe its findings appreciable deference. See Boehringer, 778 F.3d at 148; Fed. R. Civ. P. 52(a)(6) ("Findings of fact . . . must not be set aside unless clearly erroneous."). Because I see no clear error in the district court's finding, I concur.