

Lawyer's Failure to Maintain License Triggers Battle Over Attorney-Client Privilege

Currently pending in the Southern District of New York is the question whether client communications with an inactive bar member are protected by the attorney-client privilege. This issue stems from a 2009 trademark infringement suit filed by design house Gucci America, Inc. ("Gucci") against apparel designer Guess?, Inc. ("Guess").¹ Unbeknownst to Gucci and to its astonishment, outside counsel for Guess recently discovered that Gucci's chief in-house lawyer was not properly licensed to practice law. Guess petitioned the Court for access to Gucci's communications with its in-house counsel on the grounds that they were not protected by the attorney-client privilege. In response, Gucci's outside counsel filed a motion for a protective order against disclosure of privileged communications.

Don't Ask Don't Tell?

Gucci's top lawyer served the luxury goods maker as counsel from 2003 to March 2010. Following his graduation from Fordham University Law School, he passed the California bar examination, and was admitted to the California Bar in 1993. However, three years later, he voluntarily elected to change his bar status from "active" to "inactive". When Gucci initially employed him in 2002, it did not inquire as to his legal qualifications because he was hired primarily to perform non-legal work. According to Gucci's memorandum of law in support of its motion to protect the privilege, during the period he was employed as a non-lawyer, he consistently held himself out to Gucci personnel and management as a lawyer authorized to practice law. He represented Gucci in legal proceedings, filed documents with the U.S. Trademark Office and worked on matters with outside counsel.

Consequently, Gucci did not investigate the lawyer's bar status when it gave him the title of in-house counsel in 2003, or when it promoted him to director of legal services in 2005, or even when it appointed him vice-president and director of legal and real estate in 2008. He never informed anyone at Gucci regarding his inactive bar status, either during the hiring process or in the course of his employment. No one at Gucci ever asked him about his bar status or investigated it. When Gucci ultimately learned from opposing counsel that his inactive status spanned the length of his employment, Gucci placed the lawyer on administrative leave in January 2010, and after an internal investigation, terminated him for cause on March 1, 2010.

Privilege: Lost or Preserved?

Guess alleges that because the lawyer was not an active member of any bar during the period of his employment as Gucci's legal counsel, he was not an attorney authorized to practice law, and therefore Gucci should not be permitted to invoke the attorney-client privilege. Gucci has set forth two counter-arguments:

First, Gucci asserts that since the lawyer was at all times a member of the California bar, albeit an inactive member (a status he could have changed to active at any time by the ministerial act of paying a larger annual fee), the standard set forth by the U.S. District Court for the Southern District of New York – the attorney-client privilege applies if the person to whom communication is made "is a member of the bar

¹ *Gucci America, Inc. v. Guess?, Inc., et al.*, No. 09-Civ-04373 (S.D.N.Y. 2009).

of a court" – is satisfied. According to Gucci's memorandum of law, under California law, "inactive" members of the California bar are still bar members. In fact, the lawyer remains an active member of the bars of the U.S. District Courts for the Southern and Central Districts of California since 1994.

Second, Gucci argues in the alternative that its "reasonable belief" that the person was an attorney when it communicated with him for the purpose of seeking legal advice, is sufficient to preserve the privilege, even if he is found not to have been a member of the bar.

The law in New York is not settled on this question. In 2000, the Southern District of New York concluded that even if New York law would apply the "reasonable belief" exception to individual clients, corporate clients should have to make sure their attorneys are in fact attorneys. It explained that "while an investigation of this magnitude...could prove onerous for an individual seeking legal advice, it is not unduly burdensome for a corporation, familiar with these types of employment practices, to conduct investigations to determine whether a potential employee's credentials are commensurate with the corporation's needs. It is not unduly burdensome to require a corporation to determine whether their general counsel, or other individuals in their employ, are licensed to perform the functions for which they have been hired."

No In-House Counsel Exception

Unlike many other states, New York does not have multi-jurisdictional practice rules which would generally permit licensed out-of-state lawyers to provide legal services to their corporate employers in New York. Nor does New York have a court-adopted "in-house counsel registration" rule similar to many other states, which would have authorized licensed out-of-state lawyers who satisfy certain registration requirements, to practice law in this state.

Best Practices

Law firms, corporate legal departments and other private or governmental organizations that hire lawyers should investigate a prospective lawyer's legal qualifications and licensing status in the relevant jurisdictions in advance of extending an offer of employment. It is good practice to periodically run an updated check to make sure there are no lingering licensing issues. In New York, an attorney's registration status can easily be tracked online via the Office of Court Administration's website: <http://iapps.courts.state.ny.us/attorney/AttorneySearch>

The lesson from *Gucci America, Inc. v. Guess?* is that not being properly licensed is an unacceptable risk that no client or employer should accept.

If you have questions regarding this Alert, please contact the co-chair of Moses & Singer's [Legal Ethics & Law Firm Practice](#), [Devika Kewalramani](#) at dkewalramani@mosessinger.com or 212.554.7832.

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