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Gucci America v. Guess?, Inc.: Cross-Border Privilege Dispute Resolved Applying “Touch Base” Test

The recent trademark infringement decision *Gucci America, Inc. v. Guess?, Inc.*, 271 F.R.D. 58 (S.D.N.Y. Sept. 23, 2010), solidified the adherence of courts in the Southern District of New York to the “touch base” doctrine, under which a court assesses whether to apply U.S. privilege law by asking whether the communications at issue related to legal proceedings in the U.S. or reflected advice concerning American law. In *Gucci*, Magistrate Judge James Cott, following a referral by Judge Shira A. Sheindlin, held that U.S. law governed a dispute over attorney-client privilege, notwithstanding that the communications at issue were made in Italy and involved an Italian in-house counsel. Importantly, the communications were made during investigations that led to parallel infringement actions against Guess in Italy and in the U.S. *Gucci America, Inc. v. Guess?, Inc.*, 271 F.R.D. 58, 61-64 (S.D.N.Y. Sept. 23, 2010).

Gucci America asserted the privilege with respect to communications involving Vanni Volpi, an employee in the legal department of its Italian affiliate Guccio Gucci S.p.A. (“GG”). Volpi’s primary responsibility was to manage GG’s trademark protection and enforcement program worldwide. Prior to joining GG in July 2006, Volpi had served as an intellectual property specialist in the legal departments of Chanel and Louis Vuitton. Volpi did not, however, have a law degree, and was not a member of the Italian bar. In 2008, Volpi began to contact the legal departments of various Gucci affiliates worldwide, including Gucci America, to obtain information about Guess’s potentially infringing activities. At issue was whether the attorney-client privilege and work-product doctrine shielded from disclosure approximately 150 of Volpi’s communications arising from Volpi’s investigation of Guess’s activities.

Choice of Law Analysis

The court’s analysis of attorney-client privilege began with the proposition that pursuant to Rule 501 of the Federal Rules of Evidence, questions of privilege are “governed by the principles of common law” *Gucci*, 271 F.R.D. at 64 (citing *Golden Trade S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 521 (S.D.N.Y. 1992) (holding that the communications between a non-party Italian corporation and its patent agents in Norway, Germany and Israel did not “touch base” with the U.S. because they “related to matters solely involving” foreign countries)). As the *Gucci* court observed “[t]he common law includes “choice of law questions” *Id.* (citing *Astra Aktiebolag v. Andrx Pharm., Inc.*, 208 F.R.D. 92, 97 (S.D.N.Y. 2002) (applying U.S. law to communications between Swedish employees and American counsel, and between Swedish in-house counsel and Swedish employees related to the conduct of litigation in the U.S.)). The court then applied the “touch base” doctrine, *Gucci*, 27, F.R.D. at 64-65, under which “any communication touching base with the United States will be governed by the federal [privilege] rules....” *Golden Trade* 143 F.R.D. at 520.

The court did so because Volpi’s communications were directed at gathering information related to Guess’s activities in the U.S., and because his investigation contributed to the decision to commence parallel infringement suits against Guess in the U.S. and Italy.

In holding so, the court rejected Guess’s argument that it should apply Italian law according to Section 139 of the Restatement (Second) of Conflict of Laws, which provides that the country with the “most significant relationship” to the communications at issue should dictate the applicable privilege law. Restatement (Second) of Conflict of Laws § 139 (1989); *see also VLT Corp. v. Unitorde Corp.*, 194 F.R.D. 8, 17-18 (D. Mass. 2000) (relying on the Restatement in applying the privilege laws of Japan and England, respectively, to communications in which each country had “the most compelling or predominant interest”). Guess argued that Italy had the “most significant relationship” because Volpi’s communications occurred in Italy, copies of Volpi’s communications were located in Italy, and all of Volpi’s communications occurred as part of his duties in GG’s legal department.

The court instead credited Gucci’s arguments that the motivation behind Volpi’s communications was protecting Gucci’s trademarks in the U.S., and that none of the legal advice rendered or requested involved Italian law. The court also found that litigating in the U.S., as well as Italy, was essential to Gucci’s overall litigation strategy because it would not be able to obtain injunctive relief in Italy. That Volpi worked in Italy and that the communications occurred there was relevant but not dispositive. Italy had some interest in the communications, but its interest was at best equal to the interest of the U.S. in applying its laws to communications concerning the conduct of an action pending in a U.S. court. Also significant to the outcome was that the U.S. litigation concerned the enforcement of trademarks registered in the U.S. Patent and Trademark Office—a right arising from of U.S. law.

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Accordingly, the court reasoned that applying U.S. law would not offend principles of comity. Moreover, Italian law permitted only limited discovery in the first place, thus undercutting Guess's argument that applying the broader U.S. privilege law would offend principles of comity.

Application of U.S. Law on Attorney-Client Privilege

Turning to the application of U.S. law, the court found that most of Volpi's communications easily fell within the ambit of the attorney-client privilege. Citing *United States v. Kovel*, 296 F.2d 918 (2d Cir. 1961), the court noted that the privilege protected confidential communications made by agents of an attorney for the purpose of assisting the attorney's representation of the client. In particular, factual investigations conducted by the agent of an attorney, such as "gathering statements from employees, clearly fall within the attorney-client rubric." *Gucci*, 271 F.R.D. at 71 (quoting *Lugosch v. Congel*, 2006 WL 931687, at *14 (N.D.N.Y. Mar. 7, 2006)). Under these precedents, all communications made while Volpi was helping to investigate Guess's activities at the direction of a licensed attorney, Daniella Della Rosa, in preparation for litigation in the U.S. and Italy were privileged.

The only unprotected communications were those made when it appeared that Volpi was not acting as Della Rosa's agent and was not under her supervision.

Communications Also Afforded Protection Under the Work-Product Doctrine

The court also held that the communications subject to the attorney-client privilege were also entitled to protection as work product. The court reasoned that the forum court's rules always govern procedural matters, thus making the work-product doctrine applicable. That doctrine does not require that documents be prepared at the behest of counsel, but only that they be prepared "because of" the prospect of litigation. *Gucci*, 271 F.R.D. at 74 (citing *United States v. Adlman*, 134 F.3d 1194, 1202 (2d Cir. 1998)).

Practical Implications of Gucci

The "touch-base" doctrine applied in *Gucci* offers a more surefooted approach than the traditional balancing test applied in *VLT Corp. v. Unitorde Corp.*, 194 F.R.D. 8, 15-16 (D. Mass. 2000). Under *VLT's* traditional balancing test, courts considered "the subject matter at issue, the parties to the communication and whether those entities are parties to the lawsuit." *Gucci* acknowledged *VLT* by noting that a "more than incidental connection with the United States" is required, but nonetheless applied the more "rigid" touch base doctrine that *VLT* attempted to avoid.

Gucci demonstrates the increasing importance of close coordination with lawyers in other countries concerning international disputes. It further underscores the importance of making sure that law-related work by non-attorneys is performed at the direction and under the supervision of an attorney. Further, any non-attorney work product created in anticipation of potential litigation in the U.S. should clearly indicate that purpose.