

No License, No Privilege: Says Magistrate Judge in *Gucci v. Guess*

Several months ago, in a trademark infringement suit filed by design house Gucci America, Inc. (“Gucci”) against apparel designer Guess?, Inc. (“Guess”),¹ outside counsel for Guess discovered that Gucci’s chief in-house lawyer was not properly licensed to practice law in any state. 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 moved for a protective order against disclosure of any privileged communications. Moses & Singer’s previous Client Alert discussing Guess’ petition and Gucci’s response may be accessed at <http://www.mosessinger.com/articles/files/AttorneyClientPrivilegeGucciGuess.pdf>.

Southern District Magistrate Judge James Cott recently denied Gucci’s motion for a protective order, holding that Gucci bore responsibility for confirming that its in-house counsel was authorized to practice law in some jurisdiction. Gucci now seeks protection under the work-product doctrine which shields documents prepared in anticipation of litigation. The Court has not yet ruled on the applicability of this doctrine.

Inactive is Insufficient

In support of his denial of Gucci’s motion for a protective order, the Magistrate Judge relied upon the law in California, the only state in which Gucci’s in-house counsel had been admitted, which limits the practice of law to active members of the bar. In California, the “practice of law” includes rendering legal advice, conducting legal research and brief writing. Therefore, even though Gucci’s in-house counsel maintained inactive status, he was not permitted to engage in the types of activities he performed while at Gucci. In addition, although Gucci’s in-house counsel was admitted in two federal district courts of California, and the websites for these districts indicated that the in-house counsel was an active member of those bars, active membership in the California State Bar is a prerequisite to membership in the federal district courts in California. Since Gucci’s in-house counsel was not an active member of the California State Bar, he was not authorized to practice in the federal district courts of California, either. Without a bar membership authorizing Gucci’s in-house counsel to practice law in some jurisdiction, the Court held that Gucci’s communications with its in-house counsel failed to satisfy *any* standard of the attorney-client privilege. The Magistrate Judge also noted in his decision that a “voluntary inactive member” who holds himself out as practicing or entitled to practice law, as Gucci’s in-house counsel did, commits a misdemeanor under California law.

“Reasonable Belief” Requires Reasonable Inquiry

The Court also rejected Gucci’s argument that it should not be held responsible for in-house counsel’s failure to maintain active bar status. During the eight year span of Gucci’s in-house counsel’s employment, Gucci failed to make any effort to inquire into his legal qualifications or licensing status, especially when it promoted the employee from a non-legal to a legal position. The Court said Gucci was obligated to conduct minimal due diligence to confirm his professional status as an attorney. This includes (1) confirming that the employee was licensed in some jurisdiction, (2) that this license authorized him to engage in the practice of law, and (3) that he had not been suspended from practicing law or otherwise faced disciplinary sanctions. The Magistrate Judge rejected Gucci’s argument that it

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

“reasonably believed” the employee was authorized to practice law, noting that “Gucci cannot now cloak itself under a veil of ignorance to avoid its discovery obligations.”

Best Practices

The Court's refusal to apply the attorney-client privilege to Gucci's communications with its in-house counsel serves as a cautionary tale for corporate legal departments, law firms and other organizations with lawyers on staff. Such employers must consider establishing internal practices for conducting the necessary due diligence to confirm that their new, lateral and veteran lawyers are properly licensed to practice law in an appropriate jurisdiction.

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

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