

PROTECTING PRIVILEGE?
THE EVOLVING ROLE OF ATTORNEY-CLIENT PRIVILEGE IN
CYBERSECURITY INCIDENTS AND RESPONSE

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I. EXPERIENCED LEGAL COUNSEL HAS ESSENTIAL ROLE IN MANAGING CYBER RISK

Companies are beginning to understand that cyber is an overall business risk, not just a technical issue. Now they must realize that cyber is also a legal issue. The easiest way to understand why is to ask these two questions: “Why do we know about the data breaches of Target, Yahoo, Equifax, and all the others?” “Did those companies air their dirty laundry just because they believed it was the right thing to do?”

Of course not! They did so because laws and regulations made them. Those laws and regulations require companies to disclose their breaches and mandate things such as who they must notify, when and how they must notify, what must be communicated, and what must be done for those who were impacted. As these rules demonstrate, having data creates risk and one of legal counsel’s roles is to help companies manage that risk.

Many attorneys explain their primary value through their wielding of the attorney-client privilege, by helping to cloak the cyber risk management process with the attorney-client privilege. As litigation following data breaches become increasingly common occurrences, it is now more important than ever for affected businesses and counsel to understand the scope and limitations of privileges.

A. Real world experience for assessing and managing risk.

To effectively manage cyber risk, companies must understand what their real cyber risk is because they cannot manage that which they do not know or understand. The process of assessing a company’s overall cyber risk is one of the most crucial step in the risk management process. It is the foundation.

Attorneys who have substantial experience in dealing with cyber risk enables them to better understand how to manage cyber risk, including legal and regulatory liability that leads to significant risk in this environment. Think about this: How many cyber incidents or data breaches has your company’s information technology, security, and management teams been through or even observed firsthand?

Counsel with many years of experience serving as a “breach guide” or “breach quarterback,” leading companies through the cyber incident and data breach response process, will have been involved in hundreds or thousands of cyber incidents and data breaches. This real-world experience is invaluable for helping companies understand the real-world risks they now face. Without such practical experience, companies are more likely to spend their resources chasing some of the hyped-up threats that make the best sales pitches, conference talks, and news headlines—it isn’t always the most exotic and sophisticated attacks that cause the most problems.

Diving deeper, such counsel will have a unique perspective on the most common attack tactics that have been used in the past and that are currently being used against certain types and sizes of companies, in certain industries, with certain types of data and business models, and in certain markets. They will also understand the types of attacks that are most likely to lead to *reportable* data breaches. They will have a better understanding of the laws and regulations applicable to the jurisdictions in which the companies operate and what they require in terms of securing information, disclosing breaches of such information, and the all-important question of distinguishing between a *non-reportable* incident and a *reportable* data breach, a subtle yet bet-the-company distinction.

Deeper still, by calling on their history of cases they will have a unique understanding of those things that companies did right and those things that were ineffective or led to problems. Because no two are alike, this insight provides a deeper understanding of what caused many cyber incidents, how they happened, and what could have prevented them. Once an incident has occurred, the focus shifts to an understanding of what companies did right or wrong, or could have done but did not do, that may have improved the response and better mitigated the situation. Finally, it enables them to uniquely understand the true harm to companies that such cyber incidents cause, from the initial panic, administrative burden and confusion, and disruption of operations, to the loss of business opportunities due to the companies being focused on the incident, to the better-known harms like the costs of remediation and incident response, negative publicity, and the decrease in business value and stock prices.

When working with companies on their cyber risk management programs, one of the most frequently asked questions is, “how do you prioritize the steps in your strategic action plan?” Because companies can’t “boil the ocean” (i.e., fix every problem) and companies do not have unlimited resources to throw at this problem, they must be able to evaluate the risks and develop a strategic action plan that prioritizes those things that should be done first. There is a lot more to consider than the traditional risk formula of “risk = probability x loss” because there are important business factors that must be considered. When evaluating how to prioritize the actions to take, the analysis

translates into something more akin to “risk = probability x loss x time to implement x impact on the business and resources x benefits - hindrance.” To work through an analysis such as this requires not only drawing on real-world experience to understand the most likely risks companies face, but also requires having an understanding of the overall business, its operational needs, the practicalities of the business environment, and the many competing interests that must be considered. Analysis of such complexities is an essential skill for legal counsel.

With cyber risk, even the most extensive and effective risk management programs cannot come with guarantee. The problem is not a static problem that can be solved, rather, it involves an active adversary that is continuously evolving its strategy and tactics to find more effective ways of attacking and exploiting its intended victims. And, as with security in general, the company must get it right 100% of the time and the attacker needs only one lucky shot. Because of this, when it comes to legal and regulatory liability, the question is usually not as simple as “did the company have a data breach?” but is more like, “before the company had the data breach, was it taking reasonable measures to protect its network and data to keep from having a data breach?” Well-documented evidence of its diligence can go a long way.

B. Privilege is valuable, but it must be done right.

Not to be ignored, the attorney-client privilege can play an important role in many jurisdictions, such as the United States. However, because the privilege applies to communications and does not shield facts, it is not as effective or certain as many think for either pre-incident risk management or post-incident response. The best way to help ensure the privilege applies is to have the activities integrally intertwined with the rendering of legal advice by ensuring the attorney is retained first, then the attorney retains and directs the work of consultants, and that attorney’s role is prominent by truly leading the process so that the consultants are reporting to the attorney who is then using their work to render legal advice. Even then, however, there are no guarantees with privilege. The best course of action is to prepare by doing everything possible to have the privilege but carry out the work as though there will be no privilege because there may not be.

C. There is no substitute for experienced legal counsel in managing cyber risk.

In today’s business environment, cyber is unquestionably a legal issue and experienced legal must be integrally involved in helping companies manage their cyber risk.

II. PRIVILEGES FOR CYBERSECURITY & DATA BREACH CASES

A. Introduction.

Legal privileges are an issue of concern for clients and attorneys alike. Clients have an interest in ensuring sensitive or potentially damaging information shared with their attorneys will remain confidential. Likewise, attorneys have an interest in ensuring receipt of truthful and accurate information from clients. Further, attorneys have an interest in protecting the confidential legal strategy developed in anticipation of litigation. The foregoing interests are protected by way of various legal privileges and doctrines, with the oldest and most common being the attorney-client privilege and the work product doctrine. The attorney-client privilege and work product doctrine are important to all attorney-client relationships, and relationships stemming from cybersecurity or data breach incidents are no exception.

In the aftermath of a cybersecurity or data breach, companies often discover damaging information surrounding the breach that will prove important to both remediate the breach and protect the company from litigation surrounding the breach. On the other hand, the discovered information may provide facts and mental impressions damaging to the company’s defense should the company become party to a regulatory investigation or lawsuit stemming from the breach. The attorney-client privilege and the work product doctrine, along with their respective exceptions and limitations attempt to strike the balance between the countervailing interest in the ability of a breached company to discover and share relevant facts with its legal counsel to protect its legal interests on the one hand; and on the other hand, the interests of the affected individuals to discover all facts surrounding the breach and being placed on equal factual ground in preparation of filing suit.

B. Attorney-Client Privilege.

1. The Privilege Defined.

The attorney client privilege is one of the oldest evidentiary privileges for confidential information and is designed primarily with the interest of the client in mind. This privilege fosters client confidence and unrestrained communication between a client and the client’s attorney. The attorney-client privilege rule provides that:

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