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Employer Alert - May 2007

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Information Technology Usage Policies: An Increasingly Important Risk Management Tool

Allegations of personal "privacy" violations are increasing as Information Technology ("IT") continues to expand in the workplace such that IT usage policies are essential as illustrated by the recent decision in *U.S. v. Ziegler*, 474 F.3d 1174 (9th Cir. 2007).

After receiving a tip from a concerned third-party Internet Service Provider ("ISP"), the FBI opened an investigation into allegations that an employee of a private company violated interstate child pornography laws. The defendant employee in *Ziegler* used his company-owned computer to search and view child pornography. He unsuccessfully sought to suppress the evidence of his crimes, which his employer had provided to the FBI, arguing that the government lacked any warrant to search or seize that evidence.

The employer cooperated fully with the FBI investigation. The FBI learned the employer had a computer usage policy which, among other things, placed employees on notice that the employer prohibited personal use of company-owned computers. The FBI also learned the employer warned its employees that it routinely monitored Internet usage and that the employer had an Internet firewall constantly monitoring employees' Internet access. Utilizing software associated with the firewall, the employer learned that a company-owned computer had accessed child pornographic Web sites. Based on the IP address and logon information, the employer further learned that prohibited Web sites had been accessed from the employee's desktop computer. The employer's IT department was in the process of recording the employee's Internet usage in a special data file and conducting regular spot-checking of his computer for improper usage at the time the FBI made its initial contact with the employer.

During the FBI's investigation and at the direction of one of the employer's corporate officers, the employer's IT staff entered the employee's locked office after regular business hours and made a mirror-image of the computer's hard drive and provided it to the FBI. Based on the pornographic pictures found on the hard drive, the FBI arrested the defendant employee for possession of child pornography.

Attacking the basis of the government's charges against him, the employee sought to exclude the evidence obtained from his company-owned computer. The employee argued his employer's IT employees acted as government agents when they imaged his company-owned computer's hard drive. He argued that since the FBI had not obtained a search warrant when the hard drive imaging occurred, the evidence was inadmissible.

The *Ziegler* court found that under the circumstances, the employee retained a legitimate expectation of privacy in his company-owned computer. The court observed an access password was required to log on to the employee's company-owned computer, that the employee locked his office when he was not there, and that the employee did not share his office with any other person. Based on the evidence presented, the court also found that the employer had acted as a government agent when it prepared and provided the mirror image of the computer's hard drive to the FBI.

However, as the court also observed, a search of private property may be conducted without a search warrant when valid consent to the search has been given either by the employee or a third party who possesses common authority over the item to be searched. Given the facts that (1) the company had computer use policies prohibiting the employee's conduct; (2) the computer was company-owned; (3) the employee provided his log-on information to the company; and (4) the company trained its employees regarding company Internet usage, the court found the employer held the ability to consent to access to the employee's office and computer. Because the employer gave valid consent, the *Ziegler* court affirmed the trial court's order denying the employee's motion to suppress the evidence of child pornography on his company-owned computer.

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In light of the *Ziegler* decision, employers should consider the following:

- Provide employees written notice that they should not expect privacy in use of company-owned computers, communication systems and other property;
- Review IT use policies and procedures to ensure they provide notice that the company regularly monitors usage of company-owned computers that may access the Internet. Have a written policy informing employees that their desks, lockers, computers (including e-mail), voicemail and personal effects are subject to search, along with a signed acknowledgement from each employee giving notice that electronic communications and Internet traffic from company-owned computers are regularly monitored and are accessible by the employer;
- Seek counsel when contacted by government authorities regarding an employee's alleged unlawful conduct; and
- Upon direction of counsel, cooperate with government authorities throughout an investigation into an employee's alleged unlawful conduct.

California Supreme Court Agrees Employees are Entitled to More Time to Bring Wage Claims

Employees enjoyed a significant win with the recent ruling rendered by the California Supreme Court in a wage claim case brought by a former employee seeking compensation for unpaid breaks and rest periods. At issue was the interpretation of California Labor Code section 226.7 which provides, among other things, that if an employer fails to provide an employee a meal period or rest period, the employer shall pay the employee one additional hour of pay. In an unanimous ruling, the court was convinced that, collectively, the language, purpose, and legislative history of Labor Code section 226.7 intended the provision to *compensate* employees for their injuries rather than to *penalize* employers for wage violations. This distinction was crucial to the plaintiff's case because a claim to recover wages is subject to a three-year statute of limitations whereas a claim for penalties is subject to a one-year statute of limitations. The court's ruling in favor of the three-year statute of limitations meant the plaintiff's wage claim for unpaid breaks and rest periods was not barred by limitations.

In *Murphy v. Kenneth Cole Productions, Inc.*, Cal., No. S140308, April 16, 2007, John Paul Murphy worked as a store manager in a Kenneth Cole Productions ("KCP") retail clothing store. Following his employment, Murphy filed a wage claim with the Labor Commissioner seeking unpaid overtime and waiting time penalties. Murphy claims that he was unaware he could also make a claim for rest and meal period and itemized pay statement violations. The Labor Commissioner issued a decision in Murphy's favor. KCP filed a notice for de novo review with the San Francisco Superior Court. On appeal, Murphy, having retained counsel, also asserted claims for meal and rest period and itemized pay statement violations. KCP objected to the introduction of new claims but the trial court overruled the objections. The trial court awarded judgment in favor of Murphy as to all of his claims. In doing so, the trial court exercised jurisdiction over Murphy's new claims and applied a three-year statute of limitations on Murphy's claim for meal and rest period violations.

KCP appealed from the judgment arguing that the court erred in addressing claims for meal and rest period and itemized pay statement violations that had not been previously raised before the Labor Commission and that the payments ordered for the meal and rest period violations were penalties, and thus subject to a one-year statute of limitations. The court of appeals reversed the trial court, ruling that the payments assessed for meal and rest period violations were penalties subject to a one-year statute of limitations and that claims may not be raised for the first time on de novo appeal from a Labor Commission hearing.

The Supreme Court, however, reversed these portions of the appellate court's decision. With respect to providing a three-year limitation period, the high court's decision was based largely on its determination that the legislature intended section 226.7 first and foremost to compensate employees for their injuries, not to penalize employers. Further, the Supreme Court concluded that permitting trial courts to exercise jurisdiction over the entire wage dispute, including related wage claims not raised before the Labor Commissioner, is consistent with the trial courts' broad discretion in adjudicating claims at trial.