The Legal Intelligencer

Best Practices for Corporate Internal Investigations

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By now, the concept of *Upjohn* warnings should be familiar to any counsel, whether in-house or external, who represents a corporation's interests in an internal investigation. In a nutshell, an *Upjohn* warning is derived from the Supreme Court decision in *Upjohn v. United States*, 449 U.S. 383 (1981), and is a mechanism for establishing corporate privilege by which corporate counsel explains to the corporation's officers and employees that when the individual officer or employee provides a statement to corporate counsel in the course of an internal corporate investigation, it is the corporation — and not the individual — that holds the attorney-client privilege for that statement.

It is important to remember that *Upjohn* warnings don't only serve a cautionary purpose for the employee — they serve as a functional trigger to the company's eventual privilege claim. An employee's statement, memorandum or email generated in an internal investigation in response to a request from counsel is best protected from discovery when that request from corporate counsel is well documented. A pair of significant cases in 2012 demonstrated just how important proper documentation of an *Upjohn* warning can be for establishing a privilege claim.

The first case is *In re Google*, 462 F. App'x 975 (Fed. Cir. 2012). You probably read about the legal battle pitched last year between technology giants Google and Oracle. In February 2012, several months before a jury found that Google did not infringe on two of Oracle's patents, the U.S. Court of Appeals for the Federal Circuit ruled that an internal email by a Google engineer was not protected under *Upjohn* because nothing indicated that the engineer had prepared the email "in anticipation of litigation or to further the provision of legal advice."

Google had argued that the engineer's email was made at the request of in-house counsel for the purpose of investigating Oracle's infringement allegations. In support, Google offered a declaration from its counsel that the email was prepared at his request. The Federal Circuit rejected Google's argument, observing that the content of the email itself suggested that the engineer's email was a response to a request from Google management relating to Google's pursuit of a license for Oracle's patents — and not a response to a request from counsel for assistance in the infringement suit.

The second case is *Custom Designs & Manufacturing v. Sherwin-Williams*, 39 A.3d 372, 374 (Pa. Super.

Ct. 2012). Just as in the *Google* case, the court in this case rejected a corporation's privilege claim under *Upjohn* because the record did not indicate that the disputed communication was prepared at the request of counsel. In *Custom Designs*, the plaintiff was a cabinet company whose building caught fire and was significantly damaged. The day after the fire, a Sherwin-Williams employee visited the site of the fire and shortly thereafter prepared two memoranda addressed to Sherwin-Williams' in-house counsel. The cabinet company later sued Sherwin-Williams, alleging that Sherwin-Williams' products had caused the fire. In discovery, Sherwin-Williams claimed privilege with regard to its employee's two memoranda to its counsel.

The Pennsylvania Supreme Court has adopted the protections of *Upjohn*, and the Superior Court analyzed Sherwin-Williams' privilege claim in the case accordingly. The court noted that the employee's memoranda did not become nondiscoverable "solely by virtue of [their] having been communicated to counsel." The court noted that the employee had visited the site of the fire on his own initiative to aid a major client, and had testified that he didn't know whether he had prepared the memoranda on his own or had been directed to by counsel. The court further found that Sherwin-Williams had produced no evidence that its counsel had requested the memoranda or that counsel was actively conducting an investigation at the time. Under those facts, Sherwin-Williams could not meet its burden to establish privilege under *Upjohn*.

Both the *Google* case and *Custom Designs* remind us that a corporation claiming privilege under *Upjohn* will need to be able to support its privilege claim with evidence that the material in question was prepared at its counsel's request. As these recent cases demonstrate, courts do not grant *Upjohn* protection lightly. Corporate counsel conducting internal investigations in 2013 should document their efforts accordingly.

Of course, presenting *Upjohn* warnings to an employee is not simple. There is a fine balance in explaining to your client's employee that you want to have a privileged conversation with the employee but that you are not his or her lawyer. You need the employee to be candid and honest. That honesty may incriminate the employee and benefit your client-company. It is an awkward moment when you begin the interview or request by clearly informing the employee you are not acting in his or her interest even though you work for the same company.

Every lawyer has some variation of the *Upjohn* warnings, but they generally include the following:

• I represent the corporation. I'm not your lawyer.

• I'm going to ask you questions regarding the big problem; our conversation is privileged. It is the company's choice whether or not to waive that privilege. If the company decides to waive the privilege, the information you provide may be disclosed to others.

• You can talk about the big problem to others; however, you may not talk about what you and I say during this interview to other employees or third parties with the exception of your lawyer, if you choose to hire one.

• Are you willing to be interviewed regarding the big problem?

Once you have provided the employee with sufficient *Upjohn* warnings, the attorney-client privilege is maintained by the company. One problem occurs when the company self-reports the employee's criminal conduct and the employee obviously wants to keep his or her inculpatory admissions privileged. The employee's personal attorney sends your client-company a letter stating that the employee reasonably believed he or she was being represented by you at the interview. You respond with an affidavit from the auditor and a letter explaining that you provided adequate *Upjohn* warnings. Now it is up to a judge. Could you have done something differently to alleviate your new big problem? Yes.

At the end of the interview, you can ask the employee to sign an acknowledgement that you provided *Upjohn* warnings. Write each warning out on the acknowledgement. Remind the employee that you gave the *Upjohn* warnings at the start of the interview and that the acknowledgement merely serves as his or her written confirmation of receipt of those warnings. Make sure the employee initials each warning on the document. Timing is important. If you give the employee an acknowledgement form at the beginning of the interview, you will likely intimidate the employee. The employee will be suspicious and, more importantly,

less open and honest in providing answers. •

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