

# Pahtl REPORT

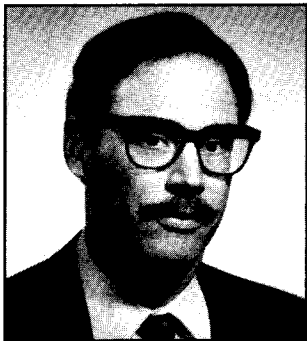
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## Choosing Between State and Federal Court

AS in chess, the opening moves in a lawsuit often determine the outcome. In many cases, the lawyer's first significant decision is whether the case should proceed in state or federal court. As a general rule, plaintiffs prefer to file in state court, while defendants will remove to federal court whenever possible. However, as with most general rules, there are always exceptions, and a skillful lawyer must select a forum based on the particular facts of each case. The discussion below is offered as a non-exhaustive checklist of the more significant considerations.



Joel Zeldin

### Reasons Why Plaintiffs Choose State Court

**Jury Issues.** Plaintiffs in California state courts need only persuade nine out of twelve jurors to prevail. In the Northern District of California, as in most federal courts, plaintiffs must secure a unanimous verdict from a six-member jury to prevail. In other words, a single pro-defense juror, or even one who is simply bent on voting contrary to the other five jurors, can force a mistrial. All else being equal, a plaintiff has a higher probability of obtaining a favorable verdict in state court.

In addition, federal juries are reputedly more conservative than state court juries. In the Northern District, federal jurors are drawn from suburban as well as urban areas. Federal jurors tend to be wealthier and better educated than their state court counterparts (particu-

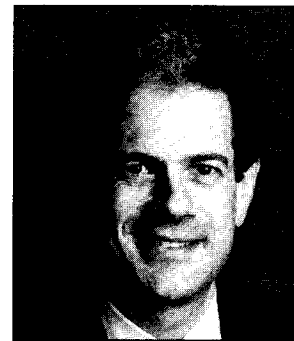
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## 'Superfund' Remains Potential Timebomb

THE federal Superfund statute essentially imposes strict, and joint and several, liability for response costs incurred in cleaning up hazardous substances. Such costs are imposed on current owners or operators of a property (or facility) and former owners or operators of the property (or facility) at the time of disposal of the hazardous substances. (CERCLA, 42 U.S.C. § 9600 *et seq.*) California has enacted similar legislation. (Hazardous Substances Account Act, Health & Safety Code § 25300 *et seq.*) The state, however, may also bring suit under the federal act.

As a result, Superfund is a potential timebomb for any person who purchases or owns real property or other assets. This article focuses on private party cost recovery cases.

The Superfund liability scheme is pervasive. Your client may be a start-up clothing manufacturer located in a modern urban redevelopment area where, a century ago, shipbuilding occurred; a bank which foreclosed on a property that formerly housed a paint distributor; a trustee of an estate which includes contaminated property; a director of a company engaged in electronics manufac-



Edward L. Strohbehn, Jr.

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### *Choosing State or Federal Court?*

larly if the state court is in an urban area), and the greater diversity in background among federal jurors can facilitate a deadlock. Plaintiffs generally prefer the state court panel.

In the past, state courts allowed the lawyers to conduct more voir dire. While defense lawyers in civil cases seldom complain about an expanded right to question potential jurors, the plaintiffs' bar seems to believe that extensive voir dire by counsel is essential in selecting a jury. For many years, federal judges insisted on conducting all voir dire themselves, and some still do. In recent years, the jury selection process in the two systems has become more alike so that judges are conducting more of the voir dire in state courts, and federal judges are more frequently allowing lawyers to conduct some voir dire. Based upon these trends, the opportunity for the lawyer to conduct voir dire is no longer a significant factor in selecting a forum.

*Keeping the Case within the State.* A local plaintiff who can sue an out-of-state defendant in California has a distinct advantage. If the defendant has done business in California so that the assertion of jurisdiction in this state does not violate due process, state courts will seldom, if ever, dismiss a case on forum non-conveniens grounds. Moreover, state courts have no authority to transfer a case to the courts of another state. By comparison, in this era of backlogged dockets, federal courts are often receptive to motions under 28 U.S.C. § 1404(a) to transfer venue to district courts in another jurisdiction "for the convenience of parties and witnesses [or] in the interest of justice." Thus, a plaintiff who has chosen to litigate in California is more likely to keep the case here if the case is filed in state court.

*Doe Defendants.* In California, plaintiffs routinely name "Doe" defendants in order to toll the statute of limitations for up to three years after the complaint is filed. Provided that a plaintiff was not aware, when the original complaint was filed, of (a) the identity of the fictitiously-named defendant, and (b) the conduct giving rise to liability of that defendant, the plaintiff will have this extra time to conduct discovery and add a new defendant to a pending lawsuit. By contrast, federal courts do not allow "Doe" pleading, except possibly when a case has been removed to federal court on the basis of diversity jurisdiction.

*Speed to Trial.* Prior to California's adoption of the Trial Delay Reduction Act, plaintiffs would often file in federal court because the time to trial was less than in the state courts of most urban areas. With the Trial Delay Reduction Act and various other state court programs to accelerate the time to trial, this advantage of filing in federal court has virtually disappeared in most areas.

*Ability to Avoid Removal to Federal Court.* Nothing blunts a plaintiff's attack like prolonged procedural wrangling on non-substantive matters. A case that will ultimately wind up in federal court should usually be filed in federal court in the first instance. However, there are

a number of methods for keeping an otherwise removable case in state court. For example, although a federal court may disregard a party whose joinder is determined to be a fraudulent device to prevent removal, there are numerous legitimate opportunities to name marginal defendants who will defeat diversity and thus removal. Also, even in a case where the pleadings necessarily and unavoidably raise a federal question (e.g., the plaintiff is a creature of federal law, as with the FDIC), the target defendant who desires removal must secure the consent of every named defendant. In one recent case where a federal agency named 26 defendants, many of whom had no genuine interest in the case, one defendant prevented removal because his counsel was "more comfortable in San Mateo County where I know all the judges."

### Reasons Why Defendants Choose Federal Court

Defendants often contest the forum selected by the plaintiff for "hassle value" alone. Even less contentious defendants usually prefer federal court based on the factors discussed below, although some factors may militate in favor of state court in a particular case.

*Single Judge Assignment.* When a case is filed in or removed to federal court, a single judge is assigned at random to preside over all aspects of the case, from beginning to end. The federal judge assigned to the case cannot be peremptorily disqualified as under the "one free bite" rule of C.C.P. § 170.6. Defense lawyers universally swear that they benefit by having a single judge who has continuity with the case. On the other hand, plaintiffs' counsel swear with equal fervor that they also prefer a judge who is more familiar with the case, particularly when facing a recalcitrant defendant during discovery. In any event, the primary defense advantage of a single judge assignment is that the judge will have every incentive to dispose of the case early. (Some state courts are now allowing single judge assignments and appointing special masters to supervise discovery in complex cases, but most state courts still use the old master calendar system.)

Even the hardest working state court law and motion judges are sometimes overwhelmed by their caseload of forty or more motions per day. Often preferring to deny close summary adjudication and summary judgment motions, such judges seemingly have concluded that the merits can be resolved further down the line by the trial judge. Busy state court law and motion judges also realize that, historically, the granting of summary adjudication or summary judgment has frequently been reversed on appeal, while the denial of such motions is seldom even challenged. By contrast, a federal judge typically designates one day a week for motions and will usually hear less than ten substantive motions on that day. Federal judges' desire not to waste their time in an unnecessary trial and their reduced law and motion calendars seem to result in greater attention to complex motions and more dispositive rulings.

*Summary Judgment Standard.* In 1986, the U.S. Su-

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STEPHEN OROZA

## On CREDITORS' RIGHTS

IT is common knowledge that few Chapter 11 cases result in a confirmed plan and that many such cases result only in the accumulation of huge administrative expense claims. Some judges have become concerned that this situation will bring Chapter 11 into general disrepute and obscure the benefits of reorganization in proper cases. In an effort to address this problem, some bankruptcy judges in the Northern District now convene status conferences and issue orders directing the further conduct of the case.

This practice has been attacked by practitioners and judges alike. Opponents argue that Congress intended to end judicial intervention in the administration of the case when it enacted the Bankruptcy Code and transformed "referees" into "Bankruptcy Judges." They also argue that there is no authority in the Bankruptcy Code or Rules for such intervention.

However, the final version of the recently-defeated bankruptcy reform bill contained a provision which expressly authorized the bankruptcy court to hold status conferences. And since this bill was defeated for reasons having nothing to do with status conferences, and is likely to be reintroduced early in the next session of Congress, it is probably a good time to ask how the bankruptcy courts should conduct status conferences.

### Where to Begin?

#### The Argument "For" Status Conferences

Chapter 11 has one principal purpose – to confirm a plan which is better for both creditors and the debtor than liquidation. That plan can either be worked out consensually or the debtor can attempt to "cram down" the plan on dissenting creditors. Either of these resolutions requires time – time which is provided by the automatic stay of creditor action. While time is passing, however, the estate often is losing value (because, for example, a business is being operated at a continuing loss) and administrative claims are accruing rapidly.

So long as the debtor is moving the case toward resolution, it is appropriate to hold off creditors and continue to incur administrative expenses. However, if it does not, the stay of creditor action no longer has a valid purpose and further delay of creditor payment cannot be justified.

A judge who asks the right questions at a status conference can ensure that only the cases with any real prospect for reorganization remain on the docket and that these cases be pursued diligently.

### Oh Yeah? The Argument "Against"

Even if all that is right, the *parties* are the appropriate agents for initiating action in the case. And if creditors are presumed to understand their own interests, the court has no legitimate interest in acting *in loco creditoris*. Further, the function that the judges presume to serve – watchdogging the system – is actually given by Congress to creditors' committees and the United States Trustee. Finally, if judges start to pass on the prospects of a Chapter 11 debtor before they are asked to, or start to tell the parties how to prosecute their cases, they stop playing the role of judges and start to become "players." They do not know enough about the case to play intelligently and thus often reach wrong conclusions about what should happen. Moreover, as players, they have an advantage too obvious to require comment.

### Synthesis:

#### The Coming of Enlightenment (How It Seems to Me)

The bankruptcy court ought to be able to inform itself concerning the issues to be addressed in a Chapter 11 case and insist that the parties address those issues. The court has a sufficient interest in the integrity and workability of the system to allow it this level of control over its docket. Moreover, the court is inevitably going to form opinions about the case. Status conferences give the parties a chance to have some input into the process.

The argument that this job is given to the parties, committees or the U.S. Trustee seems unpersuasive for two reasons. First, if these parties were doing such a good job, how did we get here in the first place? Second, since lawyers get paid more in Chapter 11 cases, they cannot be counted on to safeguard the efficiency of the system.

On the other hand, courts should be reluctant to tell the parties how to "run the case." This is an adversary system and it is left to the people whose interests are at stake to control their own destinies. Besides, knowing what to do in a Chapter 11 case requires knowledge and "feel" that judges simply cannot acquire in the limited amount of time that they see the case.

In short, bankruptcy courts will have to go through the same learning process that has informed the conduct of status conferences in the district courts, where they are generally thought to be useful. The best status conference judges in the district court prod the case along and provide practical judicial input without attempting to try the case for the parties. There is no reason why the bankruptcy courts, with a little practice, cannot achieve the same results.

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Stephen Oroza



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### *Choosing State or Federal Court?*

preme Court opinions in *Celotex v. Catrett* and *Anderson v. Liberty Lobby, Inc.* dramatically altered the standard for summary judgment motions in federal courts. Cynical commentators have opined that the so-called "Celotex standard" was adopted as a case management tool, but the result has been incontrovertible: whereas the state courts appear hostile to summary judgment and adjudication motions, the federal courts invite them.

In federal court, summary judgment or partial summary judgment is available to resolve not only the entire complaint or certain causes of action but also significant facts or issues. Once a summary judgment motion is made and properly supported, the adverse party must affirmatively present competent proof that there is a genuine issue for trial. The party who will bear the burden of proof at trial must come forward with evidence during the summary judgment proceedings. Thus, a moving party who would not bear the burden of proof at trial need only point out the issue, and the resisting party has the burden of presenting sufficient evidence so that a fact finder could reasonably find in its favor (i.e., the non-suit standard).

The state courts are downright antagonistic to motions for summary judgment and summary adjudication. The moving party bears not only the burden of proof that it would shoulder at trial, but the moving party must affirmatively disprove any contentions (e.g., affirmative defenses) of the resisting party. The moving party must do so without creating, through evidence or inference, a triable issue as to any material fact. Furthermore, a 1990 amendment to C.C.P. § 437c narrowed the scope of motions for summary adjudication so that such a motion can be brought only to challenge an entire cause of action, an affirmative defense, the existence of a duty, or a particular claim for damages.

The more liberal summary judgment rules of federal court tend to favor defendants who want an early resolution on what are essentially legal issues. Plaintiffs seem to prefer submitting the case to a jury, viewing everything that occurs before trial as an obstacle to true justice. Of course, there are exceptions – such as a debt collection plaintiff with simple and straightforward claims, or an insurer plaintiff seeking declaratory relief – both of whom may prefer a federal judge's concern for an efficient, practical, and quick resolution. But in general, the more permissive federal summary judgment standard favors defendants by enabling them to eliminate claims, issues, and often entire lawsuits. Moreover, the single judge assignment format encourages judges to grant meritorious but perhaps technically flawed motions, because the alternative is that the very same judge will be forced to sit through a time-consuming trial where the outcome is essentially preordained. Resolution during the motion stage often favors defendants who otherwise, when confronted with the imminent expense and exposure of a trial, might be forced to settle a case they consider to lack merit.

*Avoiding the Hometown Advantage.* Federal judges

are appointed for life and tend to be less susceptible to political pressures. The federal courts tend to be located in metropolitan centers (or the closest thing to it in the region) that are more cosmopolitan than the surrounding counties. A defendant, particularly a nationally-known corporation, can sometimes reduce or eliminate the hometown advantage by removing the case from a smaller county where local parties may, inadvertently or by custom, receive preferential treatment. In more rural areas, local parties are almost certain to be more appealing to local jurors, and their local counsel are bound to be more familiar with the unpublished "local practices."

### Miscellaneous Additional Considerations

Several other factors should be analyzed. Their implications for choosing a forum will vary from case to case.

*Substantive Legal Issues.* Lawyers who focus on the procedural niceties should not overlook the impact that the choice between state and federal court may have on resolution of the legal issues. While state and federal courts have concurrent jurisdiction over various subject matters (e.g., trade regulation, securities, and RICO), one forum may be preferable. For example, state court judges who are familiar with and eager to hear fraud cases nevertheless tend to regard civil RICO claims as overkill. Many RICO causes of action have died at the pretrial motion stage in state court, particularly in garden variety civil litigation. Federal judges who have more experience with RICO litigation tend to be somewhat more receptive to it.

Also, for whatever reason, state and federal courts occasionally have made contradictory rulings on the same legal issue. For example, several California appellate courts have ruled that the two-year statute of limitations on a tortious interference with contract claim starts to run when the contract is breached; by comparison, two federal decisions suggest that under appropriate circumstances the statute may not start to run until the plaintiff discovers or should have discovered the breach. Obviously, certain cases require substantive legal research before the forum selection decision is made.

*Test Cases and Political Issues.* Any party involved in litigation of a novel issue should evaluate whether the state or federal appellate courts are likely to be more receptive to his or her legal position. Similarly, in cases with political considerations, the parties should evaluate whether they prefer a judge who must face the electorate within a few years or a judge with a lifetime appointment.

*Out-of-State Discovery.* Under state court procedures, a party seeking to depose a non-party, out-of-state witness must secure a commission and go through other time-consuming and expensive procedures. The federal courts have a relatively streamlined process for issuing a subpoena through the district court where the witness is located, and the issuing federal court has the authority to compel discovery should the need arise.

*Experimental Programs.* Many of the state courts

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ZELA G. CLAIBORNE

## On CONSTRUCTION

**E**XPERT witnesses play a significant role in construction lawsuits. In a large case, several experts will be needed to testify, such as a construction expert, an architect and/or engineer, a cost estimator, and an accountant. Experts' fees can easily run to hundreds of thousands of dollars. Attorneys preparing a complex construction case must, therefore, know how to manage expert costs. Consider the following suggestions:

### Choose a Witness Who Can Testify Effectively

When you interview a potential expert, your primary concern may be whether the candidate has the necessary expertise to analyze the project and to determine what caused the delays, deficiencies, or other problems which gave rise to the suit. You should also be sure, however, that the candidate can communicate clearly and persuasively. Because of the uncertainties of litigation, it is not safe to assume that someone hired as a consultant will never be needed to testify as an expert. Your client's money will be wasted if your consultant builds a case but lacks the skill to give credible testimony at an arbitration or trial or to make a persuasive presentation in a mediation or settlement conference.

### Ask For a Preliminary Evaluation

Before selection is final, ask your potential expert to take a preliminary look at the case. Be sure to ask for a schedule and budget for that work. The preliminary report will be a good indicator of the potential expert's level of expertise and of the quality of work he or she is capable of producing. Significantly, it will also let you know whether this individual's testimony will reinforce your client's position.

### Limit the Scope of Testimony

After you and your client have reviewed the preliminary findings and selected the appropriate witness, work with your expert to limit the scope of the testimony. Since construction cases are usually complicated, it is important to try to narrow an expert's scope as early as possible. Encourage the expert to focus on the important areas and not waste time and your client's money investigating the peripheral ones. Beware of the expert who constantly comes up with new and "creative" theories during the preparation of the case and even on the eve of trial.

Of course, it is important to be flexible concerning scope. The scope of the testimony may have to be adjusted as you learn more about the case and/or when your opponents raise new issues.

### Request a Budget

As soon as the scope of the testimony is established, ask your expert for a written budget outlining the time and money needed to prepare the case. Ask for a separate budget for settlement, for arbitration, or for trial. Review the budget with your client so the client knows what to expect. Make a clear rule that the budget cannot be exceeded without compelling reason and specific permission.

### Monitor the Progress of the Work

As the case progresses, review the progress of the work and the billings against the projected work plan, schedule, and budget. The construction expert may have a staff of several support people, including an architect, an accountant, a scheduling specialist, and others. Fees for staff can become inordinately expensive if not checked. It is a good idea to get to know these people in order to assure yourself of the quality of their work and to be certain that they are aware of the budget and are striving to stay within it.

### Be Sure Your Expert Does the Necessary Homework

When an expert relies on staff, trial preparation must include an intensive review of the reports, exhibits, or underlying work papers they have prepared. Often, too, quite some time elapses between the expert's deposition and the time of trial, so the expert must review the deposition transcript. Plan ahead: be sure your expert is ready to prepare for direct and cross-examination when you are. Be certain that your expert is available in the evenings and on weekends before and during trial to prepare for testimony and consult concerning issues that may arise.

### Be Clear About

#### Who is Paying the Bill

In your discussion with an expert, make it clear that your client, not your law firm, is responsible for paying the expert's invoices. If you have a written agreement with the expert, include a provision about payment as well as the usual description of the scope of services and the hourly rate or other fee. These days, when it is not unusual for a client to file for bankruptcy, this point is particularly important.

Credible expert witnesses can make your case. Remember, though, that even victory may not be sweet in the eyes of a client whose litigation costs have gone sky high.



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### *Choosing State or Federal Court?*

have experimental programs, as does the Northern District. In the Northern District, a small percentage of new cases is assigned under the Early Neutral Evaluation Program to an experienced federal practitioner for delineation of issues, development of a discovery program, and inevitably discussion of settlement. If an early discussion of settlement in an institutionalized format will benefit your client, federal court may present an advantage. Similarly, the Northern District has recently adopted a pilot program to implement the Civil Justice Reform Act. (See General Order No. 34.) Among other things, this program imposes the obligation (and expense) on the parties and their counsel to organize the litigation early, and the various meet-and-confer requirements provide an opportunity for an early resolution, or at least for more efficient litigation. Some state courts also have limited early settlement programs. Most federal and state courts impose some form of arbitration on smaller, less complex cases.

A lawyer who has the opportunity to choose between a state and a federal forum should analyze the foregoing factors and anything else that is relevant. It is an important decision that should be made carefully.

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### *'Superfund' — Potential Timebomb*

turing; a farmer who owns a pasture where years ago someone dumped hazardous substances; or a technical consultant who designed a hazardous waste management system and advised the company on how to operate it. In sum, the fact patterns which can cause potential liability are almost limitless. The best cure is prevention. The prevention tips which follow are noted because these actions – or the lack thereof – may become essential elements in the cost recovery case.

**Look before Leaping.** In 1986, Superfund was amended to create the “innocent landowner” defense. In effect, this statutory provision requires environmental due diligence prior to purchase if one is to avoid Superfund liability. Hire experienced environmental technical consultants and attorneys to perform environmental due diligence investigations of the property or assets to be purchased. For example, the purchase of scrap metal which contains hazardous substances that leak in transit or at the destination could create Superfund liability. One case found Superfund liability based on release to the environment of lead dust from clothing and shoes of employees and from furniture moved from a warehouse where the lead dust was located.

*Define Risk Allocation Contractually, Specifically,*

*and Completely.* Document the due diligence results. Obtain representations and warranties from the seller that the seller is in full compliance with all laws, including environmental laws, and about environmental conditions of the property. In the ideal case, obtain indemnities and releases from the seller that specifically provide that the seller retains all liability – explicitly including federal and state Superfund liabilities – for preclosing environmental conditions on, at or beneath the facility (such as the presence of hazardous substances) and for any hazardous substances transported from the facility before closing. Some courts have found that indemnities which do not explicitly include references to Superfund liabilities or “As Is” clauses or indemnities which are insufficiently broad and complete do not shift Superfund liability to the purchaser.

**Manage Hazardous Substances Carefully.** Once in possession, manage hazardous substances carefully and, in particular, comply with all environmental laws designed to prevent releases of hazardous substances or wastes. It's the release of these substances or wastes that triggers Superfund liability.

**Follow the National Contingency Plan When Cleaning Up Hazardous Wastes.** One key element of a Superfund claim is that the person seeking recovery incurred response costs consistent with the National Contingency Plan (NCP). The NCP is a set of specific federal regulatory requirements for conducting cleanups. 40 C.F.R. Part 300. If you conduct a cleanup and want to recover response costs from the responsible parties, follow the NCP. If the cleanup is supervised by a government agency (e.g., EPA), ensure that the agency concurs in writing that the cleanup is consistent with the NCP.

If your client is, or was, in possession of property or assets and, unfortunately, has also received a Superfund claim for response costs, do the following:

**Place All Insurance Carriers on Notice.** By all, that means *all*. “Ancient” Comprehensive General Obligation (CGO) policies may be sources of coverage since these policies will not have a “pollution exclusion” provision. Other types of insurance policies may also provide coverage, such as property policies, excess policies, etc. A small, new business niche has been created for companies who do “archeological” research to find old CGO and other policies.

**Protect Your Rights.** Determine the applicable statutes of limitations that may apply to your Superfund or state law claims or any other claims you may have. Consider obtaining a tolling agreement while you try to negotiate settlements. There are two statutes of limitations periods under Superfund: a three-year statute which runs from the completion of the removal phase of the cleanup (such as, possibly, when all barrels on an abandoned lot have been removed), and a six-year statute that begins to run after initiation of physical on-site construction of the remedial action.

**Determine All the Potentially Responsible Parties (PRPs).** Undertake some or all of the following: search

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MICHAEL A. JACOBS

## On PATENTS

THE U.S. patent system is increasingly recognized as costly and inefficient. Proposed reforms of the Patent and Trademark Office, such as U.S. Postal Service-like privatization, are aimed at improving the speed and quality of the patent procurement process, albeit at greater expense to applicants. Granting exclusive appellate jurisdiction in patent cases to the Court of Appeals for the Federal Circuit was an attempt to reduce enforcement costs by unifying patent doctrine nationwide.

The Federal Circuit strengthened the patent system by encouraging large damage awards and reducing residual anti-patent biases in the federal courts. Ironically, however, by making patents more valuable, the Federal Circuit raised the stakes in patent litigation and thereby encouraged parties to litigate more aggressively and expend greater resources. Since a monopoly of some sort is at issue, patent litigation has – not surprisingly – come to resemble antitrust litigation in its sweeping discovery, reliance on expert testimony and sheer scale.

The complexity of U.S. patent law is a significant contributor to the costs of litigation. There are innumerable applicable legal doctrines, and each has an extensive history in the case law. The universe of relevant facts is enormous and third-party and foreign discovery is often required. Recreating the “state of the art” when a patent application was filed calls for microscopic analysis of scientific and technical documents and product designs. Expensive experts must often be engaged. Since privilege doctrines are relatively weak and intent and knowledge are often critical, discovery is hard-fought.

Trials involve extensive use of demonstrative exhibits. Complex subject matters must be *taught*, rather than simply presented, to lay jurors. Such work requires an enormous amount of expensive attorney time.

Substantial reductions in the costs of patent litigation will probably require systemic changes, such as elimination of certain statutory defenses, the creation of specialized patent courts and the elimination of jury trials. The Commerce Department Advisory Commission on Patent Law Reform recently proposed elimination of the “best mode” defense and simplification of the “on sale bar” as measures to reduce litigation costs. The report also places great weight on changes in litigation procedure, especially discovery, by the Civil Justice Reform Act of 1990. The report proposes a model patent litigation case management program, including disclosure of “core information,” that ought to apply to any

patent case. Several additional measures could chip away at litigation costs:

**Standardized Protective Orders.** Most patent cases involve the discovery and use of trade secrets of the adversary. Currently, each case starts out with extensive negotiation and, often, motion practice over the terms of protective orders for such trade secrets. Often, law firm-created protective orders are needlessly complex and obscure. The only significant issues in patent litigation protective orders ought to be access by in-house counsel and patent prosecution counsel to sensitive trade secrets. Those should be addressed by alternative text in a standard form protective order.

**Standardized Discovery.** The highly structured nature of the patent system lends itself to standard initial interrogatories. Discovery instructions and objections should also be standardized. The current situation, in which each law firm generates its own instructions, objections, and objections to instructions is absurd.

Even with implementation of the Advisory Commission proposals and other steps identified above, patent litigation, and concomitantly the patent system as a whole, will remain very expensive.

In view of these costs, clients should treat the decision to litigate a patent as a major business decision. The decision to litigate a patent should be critical and realistic. Clients should understand that litigators who encourage such a critical eye are not blind to the righteousness of the client's cause but merely wish to be sure that the decision to litigate is a rational one. Clients should be skeptical of low-ball estimates of litigation costs.

Clients also should invest more in patent prosecution. Often, a patent is subject to multi-million dollar litigation when only a few thousand dollars were spent on that patent's prosecution. Prior art and other validity issues can be addressed more inexpensively while the patent is being prosecuted. Similarly, if claims are drafted with a view toward litigation, less expense will be incurred in litigating issues such as the doctrine of equivalents.

Reducing the costs of patent enforcement is important. The goal of the patent system is the encouragement of innovation, not expensive litigation. Everyone involved in the system – research and development managers, patent prosecutors, intellectual property litigators, the Patent and Trademark Office, and the judiciary – must take a close look at how the system and its litigation component can best be reformed.



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## 'Superfund' — Potential Timebomb

real property records; investigate records at public agencies (environmental permitting and compliance records, planning and building department records, business licenses, tax records, etc.); investigate hazardous waste disposal records; search business records; investigate telephone directories; search newspaper archives; and create an aerial photography library.

Consider hiring private investigators to locate former workers and taking recorded statements of elderly witnesses (or others) who may not be available at trial. Consultants can be retained to identify PRPs and their net worth to determine if it is worthwhile to bring the PRPs to the table. Since all PRPs within the meaning of Superfund are strictly and jointly and severally liable (at least at the outset), a PRP search process is essential. A successful identification of many PRPs spreads the potential liability and may lead to more insurance coverage.

**Define the Scope of the Liability.** Since it is often relatively easy to establish prima facie Superfund liability, the contested issues in Superfund cases are most often about damages. The more definite the knowledge about potential liabilities, the easier it will be to reach settlement of claims among PRPs or determine how much to invest in litigation.

**Hire Technical and Economic Experts and Consultants Early.** The heart of many Superfund cases is in the technical analysis of the property, the environmental conditions, and other facts. Sophisticated modeling is often used, for example, to identify the extent of migration of released chemicals in soils and groundwater (and, thus, the extent of cleanup required) or the types of chemicals released and the time when they were released (and, thus, the identification of PRPs). Economic consultants will help value the costs of cleanup, including the projected future stream of costs, as well as possible diminution in property value. Choose your consultants carefully; you will have to live with not just their technical analyses, but also their performances in deposition and at trial. Look for their ability to generate helpful graphic depictions which can simplify difficult concepts for judges and juries.

**Meet, Confer and Explore Settlement.** Meet and confer among the PRPs early in the litigation process to determine if settlement avenues are available. Note that under Superfund, attorneys fees may be recoverable as costs of response. Moreover, the attorneys fees incurred in litigating the cost recovery action itself may be recoverable. The fact that attorneys fees may be recoverable increases the value of pretrial settlements. Consider using alternative dispute resolution methods such as mediators, binding arbitration, etc. If available, consider using the California arbitration provision under the Hazardous Substances Account Act.

**Obtain Proof of Recoverable Costs Incurred.** Among the costs which are - or may be - recoverable, and for which proof is therefore necessary are: site investigation and monitoring costs; site cleanup and remediation

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costs; site security costs; pre-judgment interest; and (according to some but not all courts) temporary and permanent relocation costs, medical expenses, employee time and expenses, and attorney fees. Keep accurate records to enhance potential recoveries.

**Narrow the Issues.** Superfund cases are amenable to pretrial motion practice which addresses issues such as the determination of liability or whether an entity is a PRP. These legal issues are often based on undisputed facts and can be tested by motion (e.g., is passive migration of hazardous materials in groundwater a "disposal" within the meaning of Superfund?). In addition, it is often sensible to seek a bifurcated trial: one portion on liability; a second portion on damages. If one loses the liability phase, however, it may be cost effective to settle the damage phase by use of alternative dispute resolution mechanisms.

**Determine If a Jury Can Hear the Case.** A Superfund claim itself may not be subject to a jury trial, although a recent case held that cross-claims for contribution raise legal issues which can be tried by a jury. In addition, if pendent state law claims, such as nuisance, trespass, breach of contract, fraud, etc., are joined with the Superfund claim, a jury can hear the case.

*Finally, Try the Case - Successfully.*

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