ASSOCIATION OF BUSINESS TRIAL LAWYERS

abtl REPORT

ORANGE COUNTY

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Q&A with the Hon. Michael Brenner

by James Poth

Q. What types of trial tactics do you find most effective?

A. I think what is most effective is preparation so that the attorney knows his case, knows the exhibits, have it organized. I think the jury really picks up on that, whether the attorney is organized or not.

It is really important to have an idea when you start the case where you're going to end up, what your argument is going to be. Then everything, all the evidence you put in, your cross-examinations ought to all be targeted for the argument you're going to give so you don't waste any time. I think these jurors are real sensitive to that.

Sometimes attorneys will just get off on tangents. Sometimes you feel that they want to kind of show the jury how much they know about something. It is never going to be an issue or argument in the case. It just doesn't relate to anything.

I think courtesy to the other attorney is important. I think the jury is judging you as a professional all the time.

I think if the attorneys, every 15 minutes at least, or five minutes, looked over at the jury and just took a look at

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LAWYER? TRESPASSER?: How An Overly Broad Subpoena Can Turn Civil Discovery Into Snooping In Violation Of Federal Law

by Martha K. Gooding and Isabelle M. Carrillo

Litigators may want to think twice before serving a broad subpoena seeking "any and all e-mails." The Ninth Circuit has ruled that both an attorney and her client may be liable under two federal laws -- the Stored Communications Act and the Computer Fraud and Abuse Act -- for obtaining e-mails from an internet service provider ("ISP") through a subpoena that was grossly overbroad and therefore "invalid" and "patently unlawful." *Theofel v. Farey-Jones*, 341 F.3d 978 (9th Cir. 2003). And don't be tempted to think that the ISP's voluntary compliance with the subpoena is enough to preclude liability. Emphasizing a lawyer's duty to exercise "independent judgment about [a] subpoena's reasonableness" (*id.* at 984), the Court held that the ISP's agreement to produce documents under the subpoena was irrelevant. *See id.* at 983. "The subpoena's falsity transformed the access from a bona fide state-sanctioned inspection into private snooping." *Id.*

Martha K. Gooding

Isabelle Carrillo

The Underlying Litigation

Theofel had its genesis in a commercial case filed in federal court in New York. Mr. Farey-Jones, the plaintiff in that action, sued officers of Integrated Capital Associates, Inc. ("ICA"), including Wolf and Buckingham. Farey-Jones was represented by counsel, Iryna Kwasny ("Kwasny").

At Farey-Jones' request, Kwasny served ICA's internet service provider, NetGate, with a subpoena seeking ICA's e-mail

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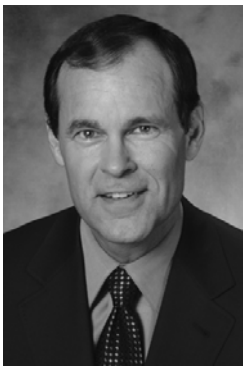
President's Message:
DO YOU HAVE THE TIME?
by Michael G. Yoder



This will be the last piece that I write for this Newsletter (ok, Richard Grabowski, the last President's Message– you can still twist my arm to write an article), and it seemed fitting to address perhaps the most significant challenge in my life and, I suspect, in yours. I am talking, of course, about time, or the lack thereof. As I finish my term as President of ABTL-OC (and write this article on a plane back from Chicago facing three trials in the next three months), time – and the lack thereof – is very much on my mind. But looking beyond the current chaos that confronts me, I fear that lack of time is creating formidable obstacles to the development of the next generation of business trial lawyers in our county.

Our lives these days are incredibly fast paced. The demands of private legal practice in general -- with ever increasing billable hours requirements, marketing responsibilities and administrative duties -- is overwhelming enough. The particular demands of a business litigation practice in this day of fast track trial settings raise the bar even higher. And technology, despite its initial promise, has been a culprit, not a savior. Does anyone really believe that being able to receive emails and take calls on a cell phone while hiking in the Canadian Rockies is a good thing?

Let me go back in time (since I am celebrating a rather significant birthday this month, I will claim entitlement to some nostalgia), back when I was a young associate in the late 1970's. At that time, there was no such thing as emails, voice mails, cell phones, not even fax machines. If someone wanted to reach you, and you were not sitting in your office waiting to take their call, they had to leave a message with your secretary, and there was no expectation for an immediate response; you were not expected to call in for messages every half hour! If someone wanted to send you a letter, unless they were nearby and hired a messenger, they had to mail it, a wonderfully deliberate process that could take days. And perhaps due in part to the slower pace of communication, we lawyers did not run so fast -- 2,000 billable ours was a significant achievement then, and partners at large firms often billed fewer than 1,500 hours a year.

But, let us be honest here. We cannot turn back the clock. Technology is with us to stay, and it will continue to push us faster and faster. Our challenge is to try to harness

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ASSOCIATION OF BUSINESS TRIAL LAWYERS
abtl
ORANGE COUNTY

P.O. Box 28557
Santa Ana, CA 92799
Phone: 323.939.1999; Fax: 323.935.6622
E-mail: abtl@attbi.com
www.abtl.org

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The *Festo* Saga Continues: Federal Circuit Clarifies Prosecution History Estoppel and Rules That It Is Issue for the Judge, Not the Jury

by John Scott & Steve Comer

On September 26, 2003, a divided *en banc* panel of the United States Court of Appeals for the Federal Circuit issued an opinion in the closely-watched case of *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co*., No. 95-1006, 2003 U.S. App. LEXIS 19867 (Fed. Cir. Sept. 26, 2003), that further clarifies how trial courts will resolve cases in which prosecution history estoppel is asserted as a bar to allegations of infringement under the doctrine of equivalents. Most significantly, the court ruled that these issues will be determined as a matter of law by judges, not juries, and it limited the scope of evidence that trial courts should consider when assessing whether patent holders have overcome any presumption of claim-scope surrender.

Background

The case arises on remand from last year's Supreme Court decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabusihiki Co*, 535 U.S. 722 (2002), which in turn had rejected an earlier *en banc* decision by the Federal Circuit to the effect that a narrowing amendment made to satisfy any requirement of the Patent Act would give rise to a complete and unrebuttable bar to expanded claim scope under the doctrine of equivalents. Instead, the Supreme Court established that narrowing amendments create only a *presumption* that the patentee surrendered equivalents and that the patentee can rebut this presumption in one of three ways: (1) demonstrating that the equivalent would have been unforeseeable at the time of the amendment ("foreseeability"); (2) demonstrating that the rationale underlying the amendment bore no more than a tangential relationship to the equivalent in question ("tangentialness"); or (3) by demonstrating that there was some other reason suggesting that the patentee could not reasonably be expected by those skilled in the art to have described the insubstantial substitute in question ("other reason"). *Festo*, 535 U.S. at 740-41.

Steve Comer

John Scott

On remand, the Federal Circuit ordered briefing on four is-

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Visiting the Spurgeon Street Irregulars

by Hon. Eileen C. Moore

The easiest way to win at the appellate level is to first succeed at the trial court. Most of our opinions affirm whatever happened below. Nonetheless, following a few tips might make oral arguments easier whether you won or lost in the lower court.

The basics. If you are going to address a justice by name, choose the correct name. The ones most commonly mistaken for each other are the two gentlemen with beards. Do you think it is any fun listening to them debate who has been slandered? Then there are the two Irish ladies. Look closely. There *is* a difference.

The dynamics. You may be nervous, but chances are great everyone on the court is exhausted. Oral argument weeks are tiring times for the justices. Each is responsible for gearing up for about 30 cases. That represents significant reading, discussing and contemplating.

Basic good manners are particularly appreciated during argument. Several lawyers have addressed the court as "You guys." Some point a finger at us. Others label a comment by the court. "That's a good point," or "Excellent question," apparently surprised we are not as dumb as we look. A few have asked us to "use a little bit of common sense," somehow assuming that is usually against our rules. Do not direct the court to a particular page or section of the record. If you want to call attention to a document, invite the court's attention to it. Be assured that the justices will ask questions if they have any, so do not offer to entertain questions. Please do not repeat the facts of a case. We are all quite familiar with them. Remember that youngsters are not appointed to the appellate court. So if you mumble or speed-talk, it is likely you will not be heard.

Attorneys get themselves in the most trouble when a member of the court asks a question. There are several things to remember here. Most important is to answer a yes or no question with a yes or no. You can always explain, but if you launch into the explanation before you answer the question, it looks as though you are trying to avoid answering it. Believe it or not, it is not uncommon for lawyers to greet the court's questions with visible and audible antipathy. Some look at their watches. Others turn a few pages of their notes to indicate there's not enough time to be interrupted with foolish queries. Or, there might simply be a negative

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A WORD FROM OUR SPONSOR

DDI DISPUTE DYNAMICS INCORPORATED

Punitive Damages: The Post Enron World

Objective Proof of Corporate Malfeasance

Enron, Worldcom, Tyco, even Martha Stewart, the list goes on and on. Events of the last few years have "confirmed" the worst about corporate America that many jurors felt deep down in their heart for years. "Executives with their fat and undeserved pay packages act like the law does not apply to them" is increasingly a common topic of discussion in deliberations. Want to award money from a company that is not that profitable? "Take $20 or $30 million away from the bonus of the CEO!" Pay scandals have even reached the NYSE. The present level of anger and cynicism among potential jurors toward corporations and executives is unparalleled.

In a society where the average individual feels more and more disenfranchised, the jury remains a last bastion where "the little guy" can exercise control over corporations, government and the rich and powerful. While it is true that jurors continue to laugh about the $2 million cup of coffee verdict against McDonalds, the general attitude that the judicial system is being abused and awards are out-of-control is weaker and less widespread amongst jurors than many defendants want to believe. In fact, increasingly, jurors are saying that it is corporate America that is abusing the system.

Jurors are skeptical as to the effectiveness of money in changing corporate conduct. Indeed, thirty percent of jurors believe that forcing large companies to pay high punitive damage awards does not change the way the corporation behaves in the future. At the extreme, twenty-eight percent of jurors even believe that some companies have so much money that even an award of hundreds of millions of dollars will not punish them. A recurring juror-generated pro-plaintiff theme in deliberations that management regularly weighs the profitability of certain conduct against the risk of being caught and hit with significant damages. Fines and damage awards are simply another "cost of doing business."

At DDI, our ongoing nationwide jury research clearly shows that punitive damages remain the club that many jurors are not afraid to use. It is also worth noting that jurors have become increasingly sophisticated and it is not uncommon for jurors to say that their large punitive award is "symbolic only" and will never actual be paid by the defendant. Verdicts get appealed and damage awards reduced by

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The ABTL 30th Annual Meeting MCLE and Fun Along the Rio Grande

by Linda Sampson

The ABTL's 30th Annual Seminar was a smashing success. The meeting was held at the beautiful Hyatt Tamaya Resort in New Mexico, where the fall foliage was rivaled only by the breathtaking sunsets. Besides the top-notch presentations and demonstrations, the weekend included a perfect balance of business and pleasure.

Upon arrival, attendees were treated to an enjoyable outdoor reception amongst handsome Native American statues, both designed and sculpted by the native pueblo tribe. Friends and colleagues mingled while music from an authentic Native American flautist filled the air.

As our country has experienced a dramatic increase in the incidence and magnitude of punitive damage awards in recent years, the chosen topic -- Trying the Business Punitive Damages Case -- was both timely and engaging. Professor David Schkade of the University of Texas at Austin offered a provocative look at how juries decide whether to award punitive damages and, if so, how they decide on the amount awarded. Attendees expressed surprise at some of his findings. The Saturday morning program also included, among other things, a presentation by the Honorable Carolyn Kuhl tracing the evolution of punitive damage awards up to the most recent decisions.

Saturday afternoon, we enjoyed golf, horseback riding, or sightseeing at the nearby historic cities of Santa Fe or Albuquerque. That evening, following a riveting address by the Honorable Ming Chin of the California Supreme Court, attendees rode a horse-drawn carriage to the evening festivities, which included an interactive beading demonstration and a Native American dance performance.

The program featured an engaging mock trial before an impaneled jury. As always, the jury debriefing proved to be both interesting and educational. During the conference, Congresswomen Linda and Loretta Sanchez separately spoke to the group about current issues facing the country, as well as their experiences in their respective positions.

Our Orange County Chapter was well represented on the program with the Honorable Sheila Fell (our current Secretary) discussing the affects of Chapters 11 and 7 on punitive exposure and recovery, with Wylie Aitken (former and

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it. And the demands of our practices, and our firms, may level off, but there will be no reversal of the trends we have witnessed over the past 20 years.

Given this fact of life, choices have to be made. As I am reminded from time to time, you cannot do everything. I have learned, often the hard way, that this is true. But one of the choices that concerns me greatly is the choice that many of our young lawyers seem to be making, namely, to forego involvement in bar groups and community and civic organizations. So many times when young lawyers are asked to participate, whether for an ABTL-OC dinner program, or a fundraising event, or a high school mock trial program, or a pro bono opportunity, they (legitimately) claim that they have no time.

Looking back over 25 years of practice, I am convinced that perhaps the main reason that I still enjoy what I do, and am satisfied by it, is the many opportunities that have opened up to me because I practice law, but which go far beyond practicing law. I have had the good fortune to be part of many fine organizations, ranging from the Constitutional Rights Foundation, to the Public Law Center, to the Orange County Bar Foundation. I have served on boards of a number of bar groups, including ABTL-OC and the Orange County Bar Association. I have worked on fascinating projects, including the evaluation of judicial candidates and the restructuring of the bar. I have spoken at seminars and attended conferences across the country.

As my spouse reminds me, I enjoy such "extracurricular" activities, which is likely a key reason why I remain so active. And, as she also reminds me, these activities do demand my time. But they also provide incentive; they provide new ways of looking at things; they allow one to develop and hone leadership skills; they over time lead to productive referral sources; but most of all, they produce friendships, with other lawyers and with judges, friendships that at the end of the day, make it far easier to deal with the demands of our 21st Century legal practice.

I have stated in the past that my hope is that my involvement may in some fashion help to encourage young lawyers to get involved. To resist the temptation to become isolated as they try to balance billable hours demands with a life outside of the office. To look at the long term, and to start now to develop skills and relationships that could prove the difference between surviving and thriving in the practice of law. And to recognize that however much one enjoys the practice of law, there is much satisfaction to be gained by giving back.

ABTL-OC is just one of the ways that young lawyers can get involved. As an organization, we offer young lawyers not only a forum for advanced training in the skills of business trial work, but more importantly, an open environment for interaction with experienced trial lawyers and local judges. So young lawyers out there, take up our offer, find the time, and get involved. You will not regret it.

► **Michael Yoder is the current President of ABTL and is a Partner with O'Melveny & Myers in Orange County .**

UPCOMING ABTL PROGRAMS

Wednesday, December 3, 2003

TRIAL COURT FUNDING -- TALES FROM THE LEGISLATIVE TRENCHES

Featuring: State Senator Joe Dunn

There would be no trial lawyers without trial courts. Yet the financial stability of our trial courts, and the ability of our clients to obtain access to justice, is continuously at risk. We are fortunate to have State Senator Joe Dunn representing us in Sacramento where the battle for trial court funding is being waged. Senator Dunn is familiar to many of us, having practiced law in Orange County before becoming a legislator. He is a forceful and dynamic speaker who has zealously advocated adequate funding for our court system. Join us and become better informed about the issues which are critical to keeping the trial courts accessible to business litigation disputes.

Wednesday, February 4, 2004

DEALING WITH CULTURAL DIVERSITY IN THE COURTROOM

Orange County has an increasingly diverse population, and our local companies conduct business worldwide. Business litigators frequently deal with witnesses, clients, and opposing parties with different cultural backgrounds. This creates numerous challenges for counsel and the courts, including effectively communicating through a translator, avoiding insensitivity to other cultural norms, and preventing unfair bias to the litigants. Join us for this informative and entertaining panel discussion lead by Jeff Shields, who has traveled far and wide in pursuit of his global litigation practice.

*All programs to be held at the Westin South Coast Plaza unless otherwise noted.

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sigh. Imprudent responses. Inquiries are motivated by various concerns. An author might try to convince the other two panels members regarding a particular point. Or, a justice might simply be particularly interested in a detail. The question could represent your chance to refute a decision that has been tentatively made. Remember, you are there to convince the court to adopt your position. It is a huge mistake to interpret questions from the court as distractions.

A sure way to draw the ire of the court is to criticize and demean the trial judge. Common statements made might be, "I was in a courtroom where the judge did not respect due process," or "This is a judge who likes to avoid hard work." You are openly debasing former colleagues of the appellate justices, and your comments will not be well received. Nor are the justices comfortable with personal attacks upon or criticisms of opposing counsel. Arguing the state of the record should be sufficient to get across whatever point you are trying to make.

Frequently counsel point out a new citation during argument. There are a few issues here. First, no one wants to see a party at a disadvantage. And that is just what happens when someone is surprised with a case not cited in the briefs. Aside from the appearance of a tactical ambush, there is a practical concern for the court. We prefer to take matters under submission after argument, which we cannot do if we are presented with new citations and the other side needs an opportunity to respond. The court is required to set a new briefing schedule and wait before submitting the matter, thus delaying the whole process. To avoid problems, mail the cite to opposing counsel and to the court. If time does not permit mailing, fax it. And if you only found it the night before oral argument, bring a copy of the case for counsel and hand deliver it as soon as you sign in.

Lastly, don't forget our secret code. Every other appellate court in the country is called a Court of Appeals. Californians like to be different. We are the Court of Appeal. No one will correct you on it if you say it wrong, but everyone will notice.

► Hon. Eileen Moore sits on the California Court of Appeal, 4th Appellate District, Division 3.

DO YOU HAVE SOMETHING TO SAY?

If you are interested in submitting material for publication please contact the ABTL at abtl@attbi.com.

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messages. The subpoena, however, was not limited as to time. Nor did it limit the requested e-mails by subject matter, author or recipient. Instead, the subpoena ordered production of "'all copies of e-mails sent or received by anyone' at ICA." *Id.* at 981. Even after NetGate alerted Kwasny to the magnitude of documents encompassed by the subpoena, Kwasny declined to narrow the scope.

One might have expected NetGate to challenge the subpoena; or perhaps to alert ICA that its e-mails had been subpoenaed; or at least to seek legal advice. But it did none of those things. Instead, it responded with what Judge Kozinski dubbed a "Baskin-Robbins" approach to document production: NetGate agreed to provide Kwasny and Farey-Jones a "free sample" of 339 of ICA's e-mail messages by posting copies of the e-mails to a NetGate website for their review. *Id.* Because Kwasny and Farey-Jones did not notify counsel for ICA or the ICA officers of the posted e-mails (or, apparently, of the subpoena), Kwasny and Farey-Jones reviewed the e-mails without objection. Not surprisingly, most of the e-mails were unrelated to the subject matter of the litigation, privileged and/or personal.

Upon discovering that personal and unrelated e-mails had been disclosed to Kwasny and Farey-Jones, Wolf and Buckingham filed a motion to quash the subpoena and for sanctions. *See id.* Magistrate Judge Wayne Brazil "soundly roasted" Kwasny and Farey-Jones and granted the motion, finding that "'the subpoena, on its face, was massively overbroad' and 'patently unlawful,' that it 'transparently and egregiously' violated the Federal Rules, and that defendants 'acted in bad faith' and showed 'at least gross negligence in the crafting of the subpoena.'" *Id*. The Magistrate also awarded $9,000 in sanctions. Kwasny and Farey-Jones did not appeal.

Defendants Turn the Tables

Wolf and Buckingham, however, did not stop there. Armed with Magistrate Brazil's findings -- and joined by ICA and other ICA employees whose e-mails were included in NetGate's "free sample" -- they turned the tables on Farey-Jones by filing their own lawsuit in the Northern District of California. They alleged that Kwasny and Farey-Jones had violated the Stored Communications Act, the Wiretap Act, the Computer Fraud and Abuse Act, and a number of state laws. The District Court dismissed each of the federal claims and refused to exercise jurisdiction over the state claims.

The Ninth Circuit disagreed. It reversed the dismissal of the Stored Communications Act, the Computer Fraud and Abuse Act, and state law claims. It affirmed only the dismissal of the Wiretap Act claim.

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The Stored Communications Act

On the books since 1986, the Stored Communications Act protects the confidentiality of communications in electronic storage at a communications facility. More specifically, the Act provides a civil cause of action against anyone who "intentionally accesses *without authorization* a facility through which an electronic communication service is provided . . . and thereby obtains, alters, or prevents authorized access to a wire or electronic communication while it is in electronic storage." 18 U.S.C. §§ 2701(a)(1) & 2707(a) (emphasis added). Electronic storage is defined as either "temporary, intermediate storage . . . incidental to . . . electronic transmission," or "storage . . . for purposes of backup protection." *Id.* § 2510(17). The Stored Communications Act contains several exemptions, including an exemption for conduct that is "authorized . . . by the person or entity providing a wire or electronic communications service," (*id.* § 2701(c)(1)) or "by a user of that service with respect to a communication of or intended for that user." *Id.* § 2701(c)(2).

The District Court dismissed plaintiffs' claim under the Stored Communications Act on the grounds that (1) NetGate authorized Kwasny's and Farey-Jones' access; and (2) the authorization was not coerced because the subpoena specifically notified NetGate of its right to object. The Ninth Circuit took a different view on both issues.

First, the Court held that NetGate's authorization was invalid because the subpoena itself was "patently unlawful." *Theofel,* 341 F.3d at 981. The Court reasoned that a violation of the Stored Communications Act is analogous to the tort of trespass:

Like the tort of trespass, the Stored Communications Act protects individuals' privacy and proprietary interests. The Act reflects Congress's judgment that users have a legitimate interest in the confidentiality of communications in electronic storage at a communications facility. Just as trespass protects those who rent space from a commercial storage facility to hold sensitive documents, . . . the Act protects users whose electronic communications are in electronic storage with an ISP or other electronic communications facility.

Id. at 982. The Court therefore concluded that "[p]ermission to access a stored communication does not constitute valid authorization if it would not defeat a trespass claim in analogous circumstances." *Id.* at 983.

Of course, a defendant generally is not liable for trespass if the plaintiff consented to the entry. But if the defendant obtains consent by "exploiting a known mistake that relates to the essential nature of his access," consent is vitiated. *Id.* And that is precisely what the Court found happened here: Kwasny and Farey-Jones obtained NetGate's consent by exploiting a "mistake" of which they had at least constructive knowledge. The Court reasoned that, because NetGate provided the "free samples" in response to a subpoena that Kwasny and Farey-Jones knew or should have known was invalid -- and because NetGate's mistake about the validity of the subpoena "went to the essential nature of the invasion of privacy" -- NetGate's authorization to access the e-mails was invalid. *Id.*

Second, the Ninth Circuit dismissed as "immaterial" the fact that, even after being notified of its right to object to the subpoena, NetGate voiced no objection. *Id*. at 984. "The subpoena may not have been coercive, but it was deceptive, and that is an independent ground for invalidating consent." *Id.* The Court emphasized that notifying a subpoenaed party of its right to object was merely "a good start"; it does not eliminate the "grave responsibility" of parties invoking the subpoena power to ensure that the power is not abused. *Id.* The Court was confident NetGate would not have disclosed the e-mails had it known the subpoena was invalid. And in any case, the Court noted that the expense of challenging a subpoena might simply cow the recipient into complying with it, particularly where the subpoenaed party is not represented by counsel or has no stake in the outcome.

The Computer Fraud and Abuse Act

The Court then turned to the Computer Fraud and Abuse Act, which, among other things, provides a cause of action against anyone who "intentionally accesses a computer without authorization or exceeds authorized access, and thereby obtains . . . information from any protected computer if the conduct involved an interstate or foreign communication." 18 U.S.C. § 1030(a)(2)(C). The District Court dismissed this claim without leave to amend on the ground that the Act does not apply if the unauthorized access was of a computer belonging to a third party. Again, the Ninth Circuit disagreed.

The Court noted that Section 1030(g) of the Act provides a civil remedy to "any person" who suffers damage or loss as a result of a violation, and that nothing in the language of the Act supports an "ownership or control" limitation. The Court reasoned that the result is consistent not only with the expansive meaning of "any person," but also with the practical fact that "[i]ndividuals other than the computer's owner may be proximately harmed by unauthorized access, particularly in that they have rights to data stored on it." *Id.* at 986. Because the plaintiffs had not alleged the damages or loss they claim to have suffered as a result of the conduct, the Ninth Circuit instructed the trial court to dismiss the claim with leave to amend.

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No *Noerr-Pennington* Defense

The Ninth Circuit also rejected Kwasny's and Farey-Jones' argument that the *Noerr-Pennington* doctrine immunized them from liability. The *Noerr-Pennington* doctrine exempts petitioning of public authorities from civil liability on First Amendment grounds. The Court expressed doubt that *Noerr-Pennington* could apply at all to the subpoena, since "[s]ubpoenaing private parties in connection with private commercial litigation bears little resemblance to the sort of governmental petitioning the doctrine is designed to protect." *Id.* at 987. But even if the defense were applicable, the Court concluded that it gave defendants no comfort because (1) "*Noerr-Pennington* does not protect 'objectively baseless' sham litigation," and (2) the un-appealed -- and therefore preclusive -- ruling by Magistrate Judge Brazil was "tantamount to a finding that the subpoena was objectively baseless." *Id.*

The Take-Away Message

The decision may not be as harsh in effect as some of its language appears. On its face, the opinion applies to subpoenas that "'transparently and egregiously'" violate the Federal Rules and are the product of "bad faith" and "gross negligence." *Id.* at 984. Moreover, the Court made a point of emphasizing that the offending subpoena "was not merely technically deficient, nor a borderline case over which reasonable legal minds might disagree." *Id.* at 983-84.

That said, however, there are some important lessons litigators should take away from *Theofel*.

First, we are reminded not to be blinded by the "broad discovery" mantra. We must take seriously our obligation, under both federal and state law, to ensure that the discovery requests we prepare, sign and serve are fairly drawn and not unduly burdensome, particularly when directed to a third party. Rule 45(c)(1) of the Federal Rules of Civil Procedure -- cited by the Ninth Circuit -- requires lawyers to "take reasonable steps to avoid imposing undue burden or expense." Likewise, Section 2023 of the California Code of Civil Procedure provides that it is a misuse of the discovery process to "employ[] a discovery method in a manner or to an extent that causes . . . undue burden and expense." Cal. Civ. Proc. Code § 2023(a)(3); *see also Calcor Space Facility, Inc. v. Superior Court,* 53 Cal. App. 4th 216, 222 (1997) ("[P]articularly when dealing with an entity which is not even a party to the litigation, the court should attempt to structure discovery in a manner which is least burdensome to such an entity"). Being on the wrong end of a sanctions order is bad enough, but *Theofel* is proof that failure to honor these obligations can go from bad to worse. Attorneys must be willing to explain the limits to their clients and to resist any pressure from them to cross the line.

Second, we are reminded that being less than forthcoming about serving third party discovery can be dangerous business. Had Kwasny served a copy of the subpoena on opposing counsel -- or notified opposing counsel of the proposed "sampling" production by NetGate -- the results surely would have been very different. ICA and/or its directors undoubtedly would have objected to the subpoena up front (before the production and inspection occurred), instructed NetGate not to disclose their communications, and, if negotiations did not narrow the scope of the production, taken the issue to the court. The magistrate might still have been unimpressed with the unlimited sweep of the subpoena -- and might still have imposed an attorneys' fee sanction -- but Kwasny and her client would not have ended up being sued for violating federal electronic privacy and computer fraud statutes.

Third, clients in possession of others' electronic communications should take note. Although *Theofel* did not require the Court to address or define NetGate's obligations to protect the privacy of its customers' communications, the Court did note in passing NetGate's "own legal obligation [under 18 U.S.C. § 2702(a)(1)] not to disclose [the] messages to third parties." *Theofel,* 341 F.3d at 984. It is not hard to imagine ICA and its employees crafting a cause of action against NetGate for its part in this debacle. Clients need to be cautioned to take subpoenas seriously, take their customers' privacy rights seriously, and avoid making anything like the "Baskin Robbins" mistake that NetGate made.

The payoff will be keeping our clients (and ourselves) off the defendants' side of the caption.

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1. Ms. Gooding is a partner in Howrey Simon Arnold & White's Irvine office. Ms. Carrillo is a Senior Associate in that office. Both specialize in complex commercial litigation.

2. The Court noted that NetGate "apparently was not represented by counsel." *Id.* at 981.

3. The Court compared defendants' access to plaintiffs' e-mail by means of an invalid subpoena to that of a "busybody who gets permission to come inside by posing as a meter reader." *Id.* at 983. Both circumstances vitiate consent and cannot constitute an authorized entry.

4. Having thus disposed of the "consent" argument, the Court had no trouble concluding that the accessed e-mails were in "electronic storage" within the meaning of the Computer Fraud and Abuse Act. Specifically, the Court found that the e-mails -- which had been delivered to the recipient but were still stored on NetGate's server -- were

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stored "by an electronic communication service" and were "stored for purposes of backup protection" within the meaning of Section 2510(17). *Id.* at 985. In so doing, the Court rejected the position, taken by a District Court in Pennsylvania and urged by Kwasny and Farey-Jones, that "back up protection" could not include any form of "post-transmission storage." *Id.* The Court found that "[b]y its plain terms, subsection (B) [of Section 2510(17)] applies to backup storage regardless of whether it is intermediate or post-transmission." *Id.*

5. For the same reasons given with respect to the Stored Communications Act, the Court found no valid authorization or consent to the access under the Computer Fraud and Abuse Act.

6. The Court devoted only a paragraph to the Wiretap Act claim, easily concluding that the district Court properly dismissed it. The Wiretap Act creates a civil remedy for intentional interception of "any wire, oral or electronic communication." 18 U.S.C. §§ 2511(a), 2520(a). Relying on its earlier decision in *Konop v. Hawaiian Airline, Inc.,* 302 F.3d 868 (9th Cir. 2002), which held that the Wiretap Act applies only to an interception that is "contemporaneous with transmission," the Court found that the interception prohibited by the Wiretap Act does not apply to electronic communications in electronic storage.

7. *See Manistee Town Ctr. v. City of Glendale,* 227 F.3d 1090, 1092 (9th Cir. 2000); *see also United Mine Workers of Am. v. Pennington,* 381 U.S. 657 (1965); *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.,* 365 U. S. 127 (1961).

8. The Court brushed aside defendants' suggestion that, in applying the "objectively baseless" test, the court should focus on the merits of the underlying *litigation*, rather than the *subpoena*, noting: "They apparently think a litigant should have immunity for any and all discovery abuses so long as his lawsuit has some merit. Not surprisingly, they offer no authority for that implausible proposition." *Theofel*, 341 F.3d at 987.

9. Rule 45(b)(1) of the Federal Rules of Civil Procedure provides that "[p]rior notice of any commanded production of documents and things . . . shall be served on each party . . . ." California law is to the same effect: "Using a deposition subpoena to obtain business records without giving opposing counsel the required notice or allowing them to obtain copies thereof, would appear to be a 'misuse' of the discovery process (CCP § 2023 (a)(2)). Appropriate sanctions may be imposed against the subpoenaing party and counsel. It may also consitute unethical conduct by such counsel." Weil & Brown, California Practice Guide: Civil Procedure Before Trial § 8:554.2 (The Rutter Group 2003).

10. Section 2702(a)(1) provides that "a person or entity providing an electronic communication service to the public shall not knowingly divulge to any person or entity the contents of a communication while in electronic storage by that service." 18 U.S.C. § 2702(a)(1).

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the courts. Some jurors therefore feel unconstrained in determining an amount.

Where Did The Good Jurors Go?

The demise of the traditional pro-defense juror has also been underway for many years. The older, white, Republican males in management have been laid-off by the hundreds of thousands. Many of those that remain, planned on an early or quality retirement until the dot com bubble burst and their savings were decimated. They have since learned about the lies and manipulations of the system and are very bitter. They are available for jury duty and really want to serve. It is one thing to lose your job, it is another thing to lose much or all of your retirement savings. Our jury research has shown that this "pension sensitivity" is widespread and reflects a fundamental insecurity about jurors' own future.

"Corporate loyalty" has been shattered among both older and younger jurors. The new paradigm between employee and company is, "We use each other until it no longer benefits one of us." The end result is a jury pool more detached from corporate America and therefore more detached from the consequences of their actions, and more willing to use lawsuits to shape social policy and "send messages."

Not surprisingly, despite efforts to curb or cap punitive damages and educate jurors on the abuses of the system, jurors are not willing to part with their power. Only three percent of potential jurors believe the concept of punitive damages should be abolished, whereas eighty-two percent of potential jurors support the notion of punitive damages for punishment purposes. In the minds of jurors, these awards not only punish a defendant but they serve as a warning signal to other corporations. Eighty-five percent agree that huge punitive damage awards send a message to other companies that certain behaviors are not tolerated. There is another variation on this theme. In a recent mock trial in a securities case, several jurors admitted that they thought the sophisticated plaintiff knew what was going on and was not really hurt, but a large punitive award would get publicity and encourage the "little guys" to file suit against the defendant.

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sues:
Whether rebuttal of the presumption of surrender, including issues of foreseeability, tangentialness, or reasonable expectations of those skilled in the art, is a question of law or one of fact; and what role a jury should play in determining whether a patent owner can rebut the presumption.
What factors are encompassed by the criteria set forth by the Supreme Court.
If a rebuttal determination requires factual findings, whether remand to the district court is necessary to determine whether Festo can rebut the presumption that any narrowing amendment surrendered the equivalent now asserted, or whether the record as it now stands is sufficient to make those determinations.
If remand to the district court is not necessary, then whether Festo can rebut the presumption that any narrowing amendment surrendered the equivalent now asserted.
Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 304 F.3d 1289, 1290-91 (Fed. Cir. 2002) (order).

The Federal Circuit

The Federal Circuit's most recent decision provides its answers to these questions. The Court first reiterated that narrowing amendments that are either voluntary or made to comply with any requirement of the Patent Act, including section 112, may give rise to prosecution history estoppel. Any unexplained narrowing amendment is presumed to be for a "substantial reason related to patentability," but the patentee may rebut that presumption by showing that the reason for the amendment was *not* one relating to patentability. The patentee's rebuttal is restricted to the evidence in the prosecution history. *Festo*, 2003 U.S. App. LEXIS 19867, at *12-14.

If the court determines that the narrowing amendment has been made for a substantial reason relating to patentability, a presumption then arises that the patentee has surrendered all claim scope between the original claim limitation and the amended claim limitation. The patentee may rebut this presumption of total surrender by demonstrating that it did *not* surrender the particular equivalent in question. If the patentee does not do so, prosecution history estoppel bars the patentee from covering that equivalent. If the patentee does rebut the presumption, prosecution history estoppel does not apply as to the accused equivalent, and the question of infringement by the doctrine of equivalents proceeds on the merits. *Id.* at *15-16.

The Roles of Judge and Jury

In its most significant ruling in this case, the Federal Circuit held that judges, not juries, should decide both the ultimate issue of prosecution history estoppel and whether the patentee successfully rebutted the presumption of total surrender. The court based this holding on the principle that prosecution history estoppel is an equitable doctrine that presents a question of law. *Id.* at *17-18. "Prosecution history estoppel has traditionally been viewed as equitable in nature, its application being 'guided by equitable and public policy principles.'" *Id*. at *17 (citations omitted).

Rebuttal of the "Total Surrender" Presumption

The Federal Circuit declined to identify all of the relevant factors that courts should consider in determining whether a patentee has successfully rebutted the presumption of total surrender, but it offered a few guidelines based on the Supreme Court's *Festo* decision:
With respect to foreseeability, the court noted that an alleged equivalent may be unforeseeable if it represents later-developed technology in contrast to then-existing technology. As examples, the court cited transistors in relation to vacuum tubes or Velcro® in relation to fasteners. The court indicated that trial judges may hear expert testimony and consider other extrinsic evidence on this point. *Id. at *21-22.*

With respect to tangentialness, trial courts should consider whether the reason for the amendment was peripheral, or not directly relevant, to the alleged equivalent. The court did not attempt to define degrees of relevance, but it noted that an amendment made to avoid prior art that contains the equivalent would be central to allowance of the claim and, therefore, not tangential. On this point, the Federal Circuit determined that trial judges should limit their inquiries to examination of the prosecution history without introduction of additional evidence, except, when necessary, expert testimony from those skilled in the art as to the interpretation of that record. *Id.* at *22-24.

Finally, the Federal Circuit indicated that the third *Festo* category of "other reason", *i.e*., whether the patentee could reasonably have been expected to describe the alleged equivalent, must be narrowly defined and applies only where there was some reason, "such as the shortcomings of language," why the patentee was prevented from describing the alleged equivalent when it narrowed the claim. Here again, where possible, trial judges should generally limit their inquiry to the prosecution history, although there may be cases where extrinsic evidence is appropriate. *Id.* at *24-25.

Writing for the majority, Judge Lourie found that Festo could not, as a matter of law, rebut the presumption of surrender under either the criteria of "tangentialness" or "other reason," but remanded the case to the trial court to determine issues of fact as to whether the alleged equivalent was foreseeable. *Id.* at *36-37. Judge Rader issued a concurring opinion.
Judge Newman and Chief Judge Mayer concurred-in-part

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and dissented-in-part. They concurred in the ruling that the presumption of surrender and its rebuttal are issues of law for the court. They also concurred in the ruling remanding the case for factual findings as to "foreseeability." They dissented, however, from the majority's ruling against Festo on "tangentialness" and "other reasons." They urged that patentees should be able to proffer extrinsic evidence on these issues and not be limited to the prosecution history. "[T]he factors relevant to determination of tangential relation are unlikely to reside in the prosecution record, for unrelated subject matter or unknown equivalents are unlikely to have been discussed by either the examiner or the applicant." *Id.* at *68. The dissent concludes that the majority "places new and costly burdens on inventors, and reduces the incentive value of patents" and that "adopting a generous interpretation of the scope of surrender, and stinginess toward its rebuttal, the ensuing framework is one that few patentees can survive." *Id.* at 72.

Implications

Although less extreme than the Federal Circuit's previous *en banc* decision, this *Festo* opinion appears to reflect the Federal Circuit's continuing desire to limit the doctrine of equivalents. Patentees seeking to rebut the presumption that prosecution history estoppel applies will be limited to evidence in the prosecution history itself. Failing to rebut this initial presumption, patentees will now also be denied access to the jury in determining the scope of any surrender, and will in some cases again be limited to the prosecution history in rebutting the presumption that the estoppel establishes a complete bar on the doctrine of equivalents.

► Scott Comer is Of Counsel to Morrison & Foerster 's Orange County Office. John Scott is an Associate with the San Diego office of Morrison and Foerster .

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founding Board Member) making plaintiff's Opening Statement and conducting Voir Dire at the mock trial, and with Gary Waldron (our current Treasurer) demonstrating Closing Arguments for the defense. Our own Board members, Jim Bohm and Martha Gooding, played key roles in planning the event.

All in all, the Annual Seminar in New Mexico was stimulating and exciting, and ended with the participants energized and enthusiastic about next year's meeting in beautiful Hawaii.

► Linda Sampson is an Associate with the Orange County office of Morrison and Foerster.

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Intent is Not the Only Thing Punishable

Consistently, across venues, jurors focus on what it will take to "deter such action in the future," and "send a message," thus minimizing the "reasonable relationship" component of the instructions. This makes perfect sense since the "greater good" is to force companies to modify their actions to protect consumers, the environment or employees. Given the seemingly "self-centered" actions of management, many jurors focus on the element of the punitive damage instruction that speaks of "reckless indifference", or "conscious disregard for the rights of others", when assessing damages. Malice is not always the standard for many jurors. For example, sixty-seven percent of the potential jurors agree that punitive damages should be awarded against any company acting in conscious disregard toward the rights of others. In many cases, corporate insensitivity is equated with this. A variation on the insensitivity theme which is critically important to jurors is negligence/sloppiness. Eight-eight percent of jurors feel that a company should pay punitive damages if that company is negligent. Corporate negligence is unacceptable given the potential consequences to individuals directly or indirectly.

Even without a pre-instruction before opening statement, attorneys can incorporate key words from the anticipated instructions throughout the entire trial. This is an effective means of increasing juror retention of facts by linking them to elements of the ultimate instructions.

For some terms, a detailed explanation is critical. The level of reprehensibility is a factor jurors should consider. However, jurors tend to view this term as binary. Something is either reprehensible or it is not. In fact, a "range" analogy or discussing degrees of reprehensibility is effective in reshaping how some jurors view punitive damages.

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them, if see their eyes are glazing over, is everybody yawning, is one guy starting to fall asleep, where are you going, how are they reacting to you.

I think these trials are -- there is a real sales element to it, telling an effective story then selling it at the end of the case.

So to me that is really important, not wasting time, getting to the issue. I think juries appreciate that.

Q. Do you find that juries in cases dealing with commercial disputes generally come to the same conclusion that you would have come to?
A. Yes, pretty much.

Q. You find juries are pretty good at following things?
A. Exactly. I think they have a real collective wisdom. And even though -- maybe they couldn't explain their decision afterwards in terms of every issue, some kind of logic flows through it, maybe it is sort of intuitive. But I do think they typically come to the right conclusion and see through all the nonsense and kind of get to the heart of it.

We had a case recently involving three guys who were partnerships in a real estate development deal. They got to fighting with each other, so there was a complaint and cross-complaint. But at the end of the day, kind of dull stuff, that jury was pretty much right on the money. Maybe it is just intuitive, but juries are able to get to the heart of it, I think.

The one area where juries surprise me is in employment cases. Those are really kind of tort cases, wrongful termination and that, but they involve businesses and some business decisions. And juries will surprise me in those cases.

Juries are surprisingly sympathetic to the plaintiff on those cases. Whether they all remember something back in their life where they think they got a raw deal or something. You know, they will never admit it in voir dire, but it is back there somewhere.
Q. Is there a particular type of case that you personally enjoy handling more than others?
A. I think my favorites would probably be medical malpractice.

Q. Why is that?
A. Well, you know, one thing about hearing these cases from the judge's standpoint is that you learn something in every case. The best case I have had since I have been here, I think this is about my 107th jury trial since this rotation through civil, was a wrongful death case involving a helicopter crash. It was sort of a products case; it was a design case. It had to do with the design of the fuel tanks on a bell helicopter. But that was really fascinating because you learned all about helicopters and how they worked.

There is a thing called auto rotation. If the engine dies and how -- supposedly you can actually land them if the engine quits.

But all that was interesting and you really get that in medical malpractice cases. You learn a little medicine each time. They tend to have good witnesses because the doctors that both sides call as experts are outstanding in their fields.

The defense maybe sometimes has a little better of the experts. They will have teaching doctors from hospitals, and so you learn about different areas of medicine in those cases. Those are good cases. Fairly short. They're five to 10 days probably, expert doctors on either side. Those are good cases.

Q. You mentioned the short cases. Has there been any kind of trend as far as your inventory getting larger or smaller in the last couple of years?
A. It is actually going down a little bit. I don't know why that is, but when I started in this location, in this civil assignment, in `95, my inventory was about 700, which was typical. It was right in the middle. And today it is probably 550. That may be nothing more than they have added a judge or two to the panel during all those years. I am not sure. I do know that in terms of an absolute figure it has gone down.

Q. What sort of things do you do to manage those 550 cases in your inventory and move them along?
A. Well, there is one great thing, that is a trial date. That just has a great effect on everybody. So I set my case management conference at the earliest date we can set it, that is the 135th day from the day of filing. I think you can set it anywhere from the 135th day to the 180th day. I set them on the 135th day.

And for me, personally, I like to set a trial date at that case management conference. There are some judges that like to set an MSC out four months, and if it doesn't settle, then they set a trial date in about four months. Everybody is different, you know. Everybody can explain why they do it and why it is the best way.

But to me I like to set that trial date about six months out. So if it is 135 days, 120 would be four months, you're

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somewhere a little short of five months, you set a trial date in six months. Your first trial date is then the 11th month.

I think in the inventory there is going to be a substantial number of these low impact, rear-end accidents on the freeway, soft-tissue injuries. Those cases can settle in 11 months. But any kind of real complex case, a business case, anything that is remotely complex or like med-mal where there are real issues in the thing, I don't think those cases are going to settle in 11 months.

But what helps, the greatest management tool a judge has, I think, is a trial date. That is what gets everybody serious.

Q. Do you follow any procedures to try to encourage settlement?
A. You know, I don't have an MSC. Now and then there will be a case that you just think should settle for one reason or another, and then I will talk about settlement, but basically I guess my answer to that is no. My encouraging settlement, that is the trial date.

Let's face it, statistically, 98% of these cases don't go to trial. That is just the reality. So if you have that trial date, the vast majority of cases will settle.

Q. You said you don't do MSCs, but do you get involved in settlement conferences with the parties?
A. If the parties ask for a voluntary settlement conference, if they bring up the subject, I will tell them, well, if both sides agree it would be helpful, I will do it. And then I say when that time comes, you call the clerk, we will give you a date for one.

So I guess that makes it a little bit difficult for them. It is not like setting an MSC. They have to -- both sides have to agree.

And I sort of, in my mind, think if they get to that point and they talk, both sides agree, they say, hey, we could settle this case or something, then I think they will probably settle it themselves.

I don't have very many of those voluntary settlement conferences.

What I do is on the day the case is set for trial, on that Monday morning and they both announce ready, I will always talk to the attorneys before I even start the trial myself or call them into the head of the civil panel for reassignment. I always talk to them to see if there is any chance of settlement, if it looks like there is any hope at all. But I always get the feeling that the trial date, there is nothing like that Monday morning when they have to announce ready, that is the best mediation day there is.

Q. In law and motion, do you post your tentatives on the internet?
A. Yes.

Q. How does that impact your law and motion calendar?
A. It impacts it considerably because a lot of what I post is not tentatives, they're final decisions. So it is surprising how many motions, for example, are unopposed. If you had six discovery motions on any given Tuesday, I will bet you that sometimes, at least half of them are unopposed. You know, somebody -- sometimes one party has sort of abandoned the lawsuit or something. The only vehicle the other side can use to kind of flush them out is to demand discovery. And when it doesn't turn up, then bring the motion. That kind of reveals that the other side is not planning to go anywhere, you know, not going forward with the lawsuit.

But I don't see any reason to make somebody come down and appear on an unopposed motion where there is good proof of service and all that, and, charge a client to come down here and have me tell them your unopposed motion is granted. Then you have the motions to withdraw, for example, those kind of things. You know all the papers they use, judicial council forms now, all the paperwork is in order, proof of service is there. You know what you're going to do on that. There is no need for argument on that.

I would bet that probably half the law and motion calendar is like that. You know, things that just don't require an appearance. But that means they don't have to come down here. That gives me more time to do summary judgment motions, the demurrers, if there is an opposition to them, things where you want to spend some real time on them. You would think that you could say, oh, well, motion to withdraw is unopposed, it doesn't take you much time to actually handle it.

I would rather have the time available to handle summary judgment.

Q. How do you decide what cases -- you sort of talked about it a little bit -- what cases you're going to hear oral argument on?
A. I always hear oral argument on summary judgment motions. I think to me anything that is going to be dispositive of the case or really affect the case, I always hear oral argument.

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On discovery motions, if they're just arguing about, you know, interrogatory 23, 27, 38 and something and this just kind of overbroad or burdensome, some of those things, a lot of times I will put out a final ruling.

If the response to the motion to compel asserts a privilege, let's say, then I will probably hear oral argument on that. I mean, that seems like a more serious thing.

On demurrers, I always have oral argument. Certainly if you thought you were going to sustain one even with leave, I think you would want to have oral argument because you can signal what you see as the problem. And that is helpful if you're going to sustain with leave to amend, at least the parties know what you're thinking rather than have them stumbling around out there wondering what was the judge thinking.

If it is dispositive or if it is going to seriously affect the case, I would have oral argument.

Q. How often do the oral arguments change your mind on a tentative?
A. Oh, it does, but less than 50 percent of the time. You know, you have read what everybody has to say in their paperwork. It is pretty rare the oral argument adds something new. There are times when, it does present a different slanting on it.

I would say no more than a third of the time. Probably less than that.

Q. Do you find trial briefs helpful?
A. It depends on the case. A lot of cases we try are these five-day tort cases. Trial briefs probably do not add much to it, so fact intensive, everybody knows what the law is. But on a more complex case, business-type case, then I think they can be very helpful. You know, hit one or two particular issues on the case, I think they're very helpful.

Q. What is your view on objections during opening and closing?
A. It would be negative if I thought they were being used as just a way to break up the other side's presentation or something, you know, highly technical objections, that type of thing. Before opening statement I read the new BAJI .50 where it goes into that. There is a paragraph in there about opening statement is not to be considered as evidence. They're not allowed to argue. But I wouldn't like a lot of technical objections.

But certainly if the guy giving the opening statement is getting off into argument, you know, starting to argue the case too much, then objection is proper. I think that is helpful.

Q. You mention BAJI, have you had experience with the new jury instructions?
A. No.

Q. Haven't used them?
A. I haven't used them. I have been in a long trial. It has been going about a month or so. I don't know how long -- it seems like it has only been two or three months that we actually got them. It just hasn't come up.

The attorneys seem to like BAJI. I know in this case when they submitted their proposed instructions they're all BAJI.

Q. Both sides were BAJI?
A. Both sides are BAJI. I have a conversion table that I got where I could take the BAJI instructions and convert right over. I can go right to the new instructions. But, you know, everybody is real comfortable with BAJI.

I think some of the new ones, I don't like the wording on them very well. They do seem to kind of dumb down or be too informal in some ways. Maybe that is just because I am just not used to them. I am sure once everybody has used them for a while, everybody will get used to them.

Q. What is your impression of the level of civility of the trial lawyers appearing in front of you? Any trends?

A. I don't think there is any trend. It appears to me you hear about civil lawyers and how uncivil they are. I don't see that. Once in a while you have that; but, it appears that in court typically the lawyers are very civil.

Now, at times you can tell that once they get outside that door they probably aren't, little odd things that will come up. But in front of me I don't see a lot of bickering or that kind of stuff. That is just my impression.

Q. How do you deal with the punitive damages phase of the trial? Do you go to it immediately go after the liability phase?

A. I always bifurcate. I don't remember ever having one that wasn't bifurcated. So the jury gets that jury instruction on fraud, oppression, or malice. You have to find by clear and convincing evidence. That is on the verdict form, the last question or two on the verdict form. But that avoids the idea of the defendant having to prove all kinds of financial data prior to the finding that they're entitled to punitive damages.

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So sometimes there might be privileges involved in that, privacy rights, or something or other.

Q. Do you go right into the punitive damage phase?
A. Exactly.

Q. Right after the liability verdict?
A. Maybe I would give the plaintiff's attorney half a day or what is left of a day. You know, let's say the jury goes to lunch, comes back at two o'clock with a verdict, a lot of times I would probably say, all right, we will resume tomorrow morning on the damages phase. Because there is not much to it, really. I have never had it last more than half a day.

If it is a corporate defendant, and it almost always is, realistically it is just a matter of last year's income statement, profit and loss statement.

Really, sometimes the plaintiff will call in an accountant to explain that a little bit, or it never lasts more than half a day.

Q. Sounds like your preference is for special verdicts, or do you do general verdict forms?
A. I always do use it as a threat. I will say if you guys don't come up with a special verdict form, I will just give the general verdict form. But I encourage the special verdict form. And I will work with the attorneys if there is some stumbling block on how it ought to be worded or something. I just found that they will almost invariably get together between themselves and come up with a special verdict that they agree on.

You still have to read it. Because they get so involved in it they might kind of not see some technical thing where you get to question three, if your answer is no, it goes on, there will be some grammatical error, numbering error, it just peters out, there is just nowhere to go, so you have to read it.

Q. Okay. Great, judge. Thanks a lot.
A. There you go.

Q. I appreciate it.

► James Poth is an Associate with the Orange County office of Jones Day.

-Sponsor Continued from page 11-

September 11

The events of September 11 have impacted jurors in that it has left them feeling more traumatized, less secure economically and more willing to do whatever it takes to feel protected. This does not equate with jurors having a more forgiving attitude toward corporations. Protect and punish are related. Even prior to Enron, jurors were beginning to express the opinion that corporations were using September 11 as an excuse to cut wages, avoid environmental commitments and otherwise further agendas that were good for the corporation but probably bad for the average person. There also has been a deep seated resentment toward government "bailouts" of corporations. Many potential jurors view these bailouts as nothing more than a corporate scam.

Does the Plaintiff Deserve More Money?

Jurors seek greater discretion in who receives the punitive damage award. Intuitively, it makes sense to a jury that the plaintiff is compensated for the harm caused to him or her by the conduct of the defendant. However, jurors often express frustration with the notion that the plaintiff also receives the punitive damage award. Well over fifty percent of jurors want a jury to have some input into who receives these awards. In addition, a third of jurors believe that all of society, not just the plaintiff should benefit from these awards. Because jurors are often reluctant to give the plaintiff additional monies this can have a mitigating effect on the size of a punitive damage award.

This is especially true in cases where the plaintiff is deemed partially responsible for his or her situation. Jurors do not only focus on the conduct of the defendant when determining the amount to award, but also consider the conduct of the plaintiff. Jurors do not want to give a windfall to plaintiffs responsible for their own circumstances. Fifty-eight percent of the sample feels that if the plaintiff were partially to blame for his or her situation, they would be much less likely to award punitive damages.

Give Context to the Amount

Jurors can vary quickly and widely in the amount they want to award. During deliberations, leaps of hundreds of thousands or millions of dollars can occur in seconds. The dollar amounts being discussed are an abstraction that jurors cannot immediately relate to. Placing the requested punitive damage amount in a context that makes sense is a way to thwart such high numbers and incremental leaps. Closing arguments present the perfect opportunity to do this. A simple example is seen in an employment case where the plaintiff requests millions of dollars in punitive

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damages. To counter this, it is often effective to express the demand as a multiple of the total yearly payroll of that department/facility. This calculation serves the additional purpose of reminding jurors that the company is made up of people, and is not just a faceless corporate entity

Bifurcation

While the specific facts of a case are obviously crucial in deciding whether or not to bifurcate a trial, the biggest loss to the defendant is the "horse-trading" that goes on in the jury room in order to reach consensus. It is common for pro-plaintiff jurors to trade off awarding punitive damages (or significantly reduce the amount) in order to get opposing jurors to agree to a plaintiff finding on liability. Removing this jury dynamic from the equation should be seriously considered when addressing bifurcation. The defense often loses valuable "liability" arguments that can impact a damage award. The liability/damage distinction is artificial to most jurors.

Even more dangerous for a defendant is the situation where a new jury hears only the punitive damage arguments. The "guilt" of the defendant has been established, malice found, and jurors are now expected to "objectively" determine an amount. For many jurors, the findings of the earlier jury have established an expectation that an amount must be given. Zero is not typically seen as an option.

Does the Jury Think the Corporation "Gets It?"

If the punitive damage phase is bifurcated and the jury has already decided liability, acceptance of the jury's verdict must be shown and not argued against. A common and dangerous error is to continue arguing that the defendant did nothing wrong. Realize that jurors are not evaluating the defendant neutrally at this point. Many jurors will expect the defendant to argue with the liability finding and in fact, some will work at interpreting the defense presentation as an argument. This is especially true with company witnesses. This creates in jurors' minds the belief and frustration that the defendant still does not "get it." Failing to respect the liability verdict serves as an indication that the corporate defendant's behavior is not going to change in the future because they still do not believe they have done anything wrong.

Conclusion

Jurors awarding punitive damages are not a homogeneous group. Arguments can create cracks between pro-plaintiff jurors with different agendas or solidify them into a united front. Therefore, identifying the subtle interactions between juror attitudes and the facts of a specific case, as well as understanding the conflicts between what the law says and what jurors think it says can allow counsel to have a dramatic impact on the likelihood and size of a punitive damage award.

► **Jill E. Huntley, Ph.D. is a Senior Trial Consultant with Dispute Dynamics, Inc. in Dallas. Dan R. Gallipeau, Ph.D. is President and based in Los Angeles. DDI is a jury consulting and graphics firm that operates nationwide. Dr. Gallipeau can be contacted at 310-225-2990.**

ASSOCIATION OF BUSINESS TRIAL LAWYERS
abtl
ORANGE COUNTY

P.O. Box 28557
Santa Ana, California 92799