Q&A with the Hon. Thierry Patrick Colaw
By James L. Poth & Brian Recor

Judge Thierry Patrick Colaw has been a judge on the Orange County Superior Court since 1997. Jones Day lawyers James L. Poth and Brian Recor interviewed Judge Colaw in his chambers on March 21, 2006.

Q: How did you wind up taking the bench?
A: I always thought in the back of my mind in law school that I might want to be a judge someday. In the busy years of practice and trying cases, it stayed in the back of my mind. As I was approaching 20 years of practice and 50 years of age and my partners and I were considering signing a new ten-year lease on the building we occupied, I thought, if I am going to do it, now is the

-Continued on page 4-

Marking and Damages for Patent Infringement
By J. Scot Kennedy

An important issue in patent infringement litigation is often whether or not the patentee has given adequate notice of infringement to the accused infringer. The absence of notice can limit or altogether preclude a patentee’s recovery of damages for infringement. See 35 U.S.C. § 287(a). In some cases patentees can deliver constructive notice to potential infringers by “marking.” Marking refers to the practice of inscribing or labeling a patented article in order to give notice to the public of the patent. Satisfying § 287(a)’s marking requirement is simple enough in the case of conventional inventions, but new technology has raised slippery questions about whether the damages limitation applies to a particular invention, and if so, how the product at issue may be properly “marked.”

The Marking Statute

Section 287 is primarily a forfeiture statute. It sets forth circumstances under which a patentee may not recover otherwise available damages for infringement. The section provides,

Patentees, and persons making, offering for sale, or selling . . . any patented article for or under them . . . may give notice to the public that the same is patented, either by fixing thereon the word “patent” or the abbreviation “pat.,” together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice.

-Continued on page 8-
President’s Message
By Gary A. Waldron

“Eighty percent of success is just showing up.”
Woody Allen

The letterhead of the Association of Business Trial Lawyers -- Orange County has a special feature: along with the current Officers, Board Members and members of our Judicial Advisory Board, it lists our Past Presidents. They are an impressive group -- successful lawyers (and a Judge) -- they are the people most responsible for leading the ABTL to the level of success we have experienced in Orange County. The letterhead serves as a reminder of the debt we all owe them for establishing and leading the organization to its status as a model for bench-bar relations. There are many bar organizations, but none match the ABTL’s level of comfort and intimacy established between our Judges and Commissioners and the business litigation practitioners in Orange County. The opportunities of leadership are not limited or preordained in the ABTL -- we invite you and your colleagues to participate. Assistance is always needed on the editorial board of this newsletter; volunteers are frequently sought for our membership and seminar committees. Those who have served as President before me provided years of assistance to the ABTL before they arrived in that office. More importantly, they have provided that level of participation and leadership throughout their lives.

The Honorable Sheila Fell was my immediate predecessor. She has taken her second career as a lawyer (her first was as a nurse) through the path of public service -- first as a bankruptcy trustee, then as a commissioner and now as a Superior Court Judge. She is our first judicial officer to serve as an officer of our Chapter, adding those responsibilities to those that burden any judge. Her responsibilities were not an impediment to her success as President; she organized and led a very successful ABTL Board Retreat for all chapters and has been a continuing participant as a panelist at our seminars. I will remember most (and try without much likelihood of success) to emulate her calm manner of leadership and her wonderful, tongue-in-cheek sense of humor. As President, Judge Fell showed that a leader knows when to delegate and when to take personal re-

-Continued on page 11-
The Dark Side of Mediated Agreements
By William J. Caplan

You leave a mediation session confident that the negotiations that led to the signed document leave no doubt of what the parties intended, and also that your client has assumed the risks in making the deal after getting proper advice from you. You are pleased to have settled the case, avoiding weeks of double-tracked depositions and a three-week trial. Be careful -- there is a dark side lurking in this scenario.

When negotiations for a written settlement agreement take place during mediation, a cone of silence falls around the settlement negotiations that make them different from negotiations for other agreements. The mediation privilege in Evidence Code § 1119 makes all statements and other communications during mediation privileged, subject to exceptions that do not involve subsequent civil litigation. Rojas v. Superior Court (2002) 102 Cal. App. 4th 1062 applied this principle to discovery of mediation work product by parties in subsequent lawsuit. However, the privilege has a more immediate application -- the interpretation of the very contract signed at the mediation. Parol evidence in the form of writings and statements made by parties or counsel at mediation, which would otherwise be admissible, will be privileged and therefore unavailable to prove the intent of the parties, unless every participant in the mediation waives the privilege.

The following hypothetical shows the impact the mediation privilege could have on a “mediation created” contract and the people who negotiate it. Geoff Lucas, an employee of a motion picture company, Paragon Films, writes a script, partially on company time and partially at home, about some wacky kid who travels at light speed and saves a federation of planets. Paragon contends that the script is company property under the terms of the employee policy manual and Lucas claims that it belongs to him. After a year of litigation, the parties go to mediation. Lucas brings along co-employee Steven Spielberg to confirm his side of the story. During the mediation, Spielberg says that Paragon’s principal, Darryl Zanutt, is a “total bozo,” but tempers soon cool and negotiations continue.

Recent Seventh Circuit Decision Signals
Expansion of Federal Computer Fraud
Liability In The Employment Context
By Jesse E.M. Randolph

I. Introduction

When an employer doing business in California files a lawsuit against a former employee for alleged wrongdoing, commonly-asserted causes of action (depending on the specific misconduct alleged) include misappropriation of trade secrets, conversion, unfair business practices, common-law unfair competition, violation of California Labor Code section 2860, intentional interference with prospective economic advantage, breach of contract, breach of fiduciary duty, breach of duty of loyalty, and/or breach of confidence. It also is not unheard of for an employer to include federal copyright or patent infringement causes of action against a former employee, where the employee’s purloining of the employer’s intellectual property is alleged. Now, based on a recent opinion authored by Chief Judge Richard A. Posner of the Seventh Circuit Court of Appeals, International Airport Centers, L.L.C. v. Citrin, 2006 U.S. App. LEXIS 5772 (7th Cir., Mar. 8, 2006), a civil cause of action potentially lies under the federal Computer Fraud and Abuse Act (CFAA), 18 U.S.C. § 1030, against an employee (who for all practical purposes is likely to be a departing employee acting nefariously) who either without authorization or in excess of authority takes affirmative steps to delete data stored in a company-issued computer.

1. California Labor Code section 2860 provides: “Everything which an employee acquires by virtue of his employment, except the compensation which is due to him from his employer, belongs to the employer, whether acquired lawfully or unlawfully, or during or after the expiration of the term of his employment.”

2. The Ninth Circuit already has recognized the potential criminal liability of a former employee who unlawfully “hacks” into his or her former employer’s computer network. United States v. Middleton, 231 F.3d 1207, 1214 (9th Cir. 2000). In addition, at least two district courts have recognized the application of the CFAA in employment cases, but these cases have involved former employees who take affirmative steps to “hack” into a former employer’s computer system. See Yournetdating, LLC v. Mitchell, 88 F. Supp. 2d 870 (N.D. Ill. 2000); Pacific Aerospace & Electronics, Inc. v. Taylor, 295 F. Supp. 2d 1188 (E.D. Wash. 2003).
A WORD FROM OUR SPONSOR
Evaluation of “Alter Ego” Liability for LLC, LLP or Limited Partnership
By Jaime C. Holmes

The “alter ego” doctrine is generally raised as an issue in litigation matters related to corporations, as a theory to pierce the corporate protection of limited liability for shareholders. However, limited liability status is also granted by the state of California to members of Limited Liability Companies, partners of Limited Liability Partnerships and limited partners of Limited Partnerships. There is virtually no case law which deals with expansion of the “alter ego” doctrine to any type of entity other than a corporation. The Corporations Code may be helpful in evaluating this doctrine in cases not involving corporations. Below, we have compared and contrasted those sections of the Corporations Code which may be relevant in evaluating whether “alter ego” liability attaches to the owners of an LLC, LLP or Limited Partnership.

Doctrines of Alter Ego

Corporate shareholders are held personally liable for the debts of the corporation under the “Alter Ego” doctrine. In California, application of this doctrine involves a two pronged analysis which is set forth in the case of Automotriz del Golfo de Californias v. Resnick 47 Cal. 2d. 792, at 796 (1957).

“It has been stated that the two requirements for application of this doctrine are (1) that there be such unity of interest and ownership that the separate personalities of the corporation and individual no longer exists and (2) that, if the acts are treated as those of the corporation alone, an inequitable result will follow.”

Limited Liability for Other Unincorporated Business Entities

The legislature in California has enacted statutes allowing for limited liability in unincorporated business entities, such as Limited Liability Companies (LLC), Limited Liability Partnerships (LLP) and Limited Partnerships (LP).

An issue for the courts is to determine when the doctrine of alter ego liability applies to these unincorporated business entities. There are only a handful of

Q: When you are in trial, what sort of strategies do you use to keep the trial flowing?

A: I am patient with the lawyers in the flow of the trial. I remember well how difficult it can be to try a case, especially choreographing witnesses, particularly experts. I do like to keep it moving though because I am conscious of the jury. I am conscious of the jury not only because I want to be considerate of their time, but also because if the jury starts to get impatient, it hurts the lawyers and the case they are trying for their clients. At the very start of the trial, in jury selection, I am trying to get the jury’s mind right, to forget all the problems they’ve got at home and at work and figure, “Okay as long as I’m here, I might as well make the most of it.” I try to set the table for the lawyers and get the jury ready for the story that will unfold, but I also want the jury mentally ready and patient regarding the tedium. Now the good trial attorneys realize this and in keeping with the deal we’ve made with the jury keep on schedule and generally keep the case moving nicely. That usually is what happens. The not so skillful lawyers over-try the case, and irritate the jurors. That’s when I must step in and seek a course change. Do we really need to go this long into this witness? Is this issue so important? Can we interrupt this examination to take on a short time witness who has flown in from afar? Is this

Interview: Continued from page 1-
time to do it. So, I looked into it, I got the papers, filled them out, and it happened relatively fast. Governor Wilson appointed me in August of 1997.

Q: Do you recall any preconceptions that you had or notions that you had about trial practice that you were disabused of once you saw it from the bench?

A: That is a good question. I thought I would spend 75% of my time in trial and court hearings and all of that stuff and maybe 25% of my time depending on the circumstances reading law and motion and doing settlement conferences. It is the other way around really. Probably 65% of my time is taken up with reading all the various motions, conferences and chambers work, and 35% of my time is taken up in trial. Since I have come to complex; it is probably close to 90% of my time reading. Now I understand that may change in complex when all the asbestos cases come up for trial later this year or sooner or later a big class action may go to trial. Nevertheless, I am told that the frequency of trial in complex is low.

Q: Do you recall any preconceptions that you had or notions that you had about trial practice that you were disabused of once you saw it from the bench?

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-Interview: Continued from page 4-

getting cumulative? Do we really need this? Many of these issues are resolved in the pre-trial conference in chambers and should be, but sometimes the less experienced do not see it coming until it’s there.

Q: You typically try to let the lawyers try their own case though?

A: Oh yeah. The biggest nightmare when I tried cases was spending all of this time and work getting the case ready and then the judge starts trying the case for me, wading into it. That didn’t happen very often, but when it did, it was very upsetting and it was very difficult to deal with. So I have been, from day one as a trial judge, conscious of the fact that I try and stay out of the case, rule on their objections, and let the case proceed on what they have set forth. Usually I can do that. It is the exception that the competence of the practitioner or practitioners is so low that I have to weigh in and speed things up or take exceptional action.

Q: But you typically find the trial lawyers in front of you do put on pretty good cases?

A: Yes. And you can usually tell early on, before the case gets to trial, the caliber of the lawyers that you have and whether you are going to run into problems. If you see that difficulty, it makes you want to concentrate as a trial judge on trying to get the case settled ahead of time so it won’t turn into the fiasco that it could turn into in trial. The strict answer to the question is that I have found that the great majority of lawyers I have dealt with range from competent to extraordinarily competent so that it is usually fun just sitting back and watching them work and watching the story unfold. I pride myself on being user-friendly in terms of my courtroom and it has usually worked out pretty well.

Q: If you could pick one thing that you wish you had known when you were a trial lawyer that you have discovered since you became judge, what would that be?

A: Let me think about that – one thing. Yeah, it is that Orange County juries, generally speaking, are more conservative than even I thought they were. I knew they were sensible and conservative, but I did not realize they were as conservative as they are. When it comes to a personal injury case, it is almost like the case has to be on all fours, always. Although it is an exaggeration to say this, and I say it to make a point, when it comes to a malpractice case, it is almost like the jury wants it to be proved by clear and convincing evidence. Now that is not the standard, and that is not the instruction you give of course, but you almost feel like that is what it is they are looking for. On the other hand, when it comes to a business tort case, these are conservative jurors but they are fairly sophisticated jurors. They are used to the stream of commerce and they are used to the way things are done in the business world or they are familiar with it. If they sense a wrong being done, they are not afraid to unload if the situation calls for it. When I was trying cases, I probably oversimplified about the way jurors reacted to things in trial, and now having tried more cases as a judge and seeing what happens, I would say that juries are even more conservative than I thought they would be in terms of personal injury cases, and they are not shy about awarding money damages when they find wrongful conduct in business cases.

Q: How do you think that affects the way a lawyer should approach voir dire with juries in Orange County?

A: I think that the most successful voir dire I have seen regardless of the kind of case, have been ones where the expert trial counsel is making sure that the people who would be harmful to the case are not on the case. He or she is not trying to persuade the jury to find in the client’s favor. He or she is trying to find the jurors who are poison to his or her case and get them off the case. They are de-selecting jurors if you will. So recognizing the really bad jurors is what I see the best of them do. Both the really good negligence lawyers and the really good business litigation lawyers can do that, and with quite a bit of skill. One of the fun things that I do is sit back and watch that happen.

Q: You give a pretty wide latitude with voir dire?

A: Yes. I always thought when I tried cases, and I think even more so now as a trial judge, that if it is not the most important part of the case, an absolute critical portion of the case is voir dire. I take very seriously the law that says there should be liberal and probing questions on jury selection, because I know that the case could be lost depending upon the jury panel that you get if the closed minded jurors are not recognized early. I permit mini-openings, appropriate humor, and frequent breaks when I can. Jury selection is very tedious, but critically important.

Q: Do you find that juries generally come to the same determinations that you would?

-AContinued on page 6-
A: I have been surprised on occasion not usually on liabilty but I have been surprised on occasion on the amount of damages they might award. Low and high. I find myself agreeing with them most of the time.

Q: Are there certain types of trial advocacy that you find particularly effective from your perspective on the bench?

A: Yes. Trial attorneys who are good at voir dire are good at relaxing the jury and good at drawing prospective jurors out and getting them to talk. Concerning witnesses, one of the tactics that I have seen that is tremendously successful, and takes a highly skilled practitioner with guts to do, is to ask no questions on cross-examination or only a few questions. It can have a tremendous impact on the jury or on the speed of the trial for obvious reasons. They fight the most important battles to the teeth, but not all of them all the time. I think, as younger lawyers, some may be afraid to just ask those few questions and sit down. The really skillful lawyers are good at doing that, “No questions your honor.” I can see why she did that, she was not getting hurt so why give the guy a chance to hurt you and just restate his opinion or testimony in another way? Another example, where someone is testifying on behalf of a relative, the cross-examiner simply says, “You love your brother, don’t you?” “Yes, I do.” “You would do almost anything for him, wouldn’t you.” “Just about, yeah.” “No further questions.” You do not have to do a heck of a lot more. It does not mean that the guy is lying about his brother, but it certainly puts a new slant on his testimony and makes the jury think, and that is very good. One of the great dangers to cross-examiners is being taken by surprise, particularly when it comes to an expert witness. It is like dancing with a bear. By that I mean you have got somebody who knows their field of expertise, the attorney attempts to cross-examine them in a lengthy, skilled cross-examine and, sooner or later, the attorney gets clawed by the bear because the expert knows the topic usually better than the lawyer does, not always, but that is usually the case. I contrast that with a “hit and run” cross-examination where the examiner has maybe a dozen questions that he or she knows have to be answered “yes” or “no.” You know what the answer is. You get in, you get those answers on bias, prejudice, or qualifications, or the amount of material that they use and that they left something out that might have been key, and then you sit down and you do not give them a chance to restate that opinion. The greatest mistake I see on cross-

A: Well, in unlimited civil, where I was for eight years, the best thing to do was to get trial dates and that seemed best to settle cases. We did settlement conferences, but I would have to rely upon pro tems more and more because of the volume and the need to keep on fast track and just keep the cases moving. Since I have been in complex, the cases proceed at a slower pace. As a general rule, most attorneys in complex are like the excellent ones in unlimited civil who have been around and longer time in grade, so to speak, so that sometimes the cases manage themselves. Not always, but often. The kinds of cases in complex are so expensive to try like class action, construction defect, and asbestos cases all with multiple Status Conferences, so that attorneys see each other more often and talk more often and that set of circumstances gives me even greater odds that the cases are going to settle. You know that 97% of the cases settle. That is in general civil. It is probably a higher percentage in complex, but you still have to stay on top of it and help them solve the day-to-day, week-in, week-out problems that they have to get the case in mode for settlement.

Q: On law and motion matters, you post your tentatives on the Internet, right?

A: Yes. They often submit on the internet tentative rulings. That gives you more time to hear argument on the more difficult law and motion cases.

Q: How often do you find that oral argument gets you to change your tentative?

A: Maybe not change it, but good oral argument can often clarify my thinking about really tough, gray area type issues. Now that I am in complex and dealing with new areas of the law for me, I will read the papers, I
will read the cases, and I will occasionally decide not to give them a tentative ruling. I am just going to tee it up for argument because I really want to see them lay out the tough issues and I want to question them at length and have a back and forth to make sure I understand what is going on. I do not know if I can give percentages though. Good oral argument can cut through the verbiage of some points and authorities and simplify. They distill their best arguments when pressed. Occasionally that can modify a prior tentative ruling.

Q: How have you found the switch from unlimited civil to complex?

A: Ah, it is like I am rejuvenated. Don’t get me wrong, I loved unlimited civil. I loved the variety. I loved seeing old colleagues appear in front of me. But here in complex you have the luxury of time that you did not have in the hurly burly of unlimited civil. I mean, I am reading cases more often than I ever have since law school and actually enjoying it because I have the time to investigate. It is a cross between trial work and appellate work almost. The days fly by. I am dealing with areas that I have never seen before that are new and sometimes fascinating. The quality of some of the practitioners is very high. It is like lawyer Valhalla. I am very happy here.

Q: Have you noticed any difference in types of argument that you get in complex versus unlimited civil?

A: No, not really. There were a lot of really skillful people in unlimited civil; there are just very good lawyers on nearly every case here in complex. Almost any given law and motion matter that I have, I know that I am probably not going to have a junior lieutenant coming in on the case or an overworked civil practitioner who maybe had glanced at the papers his clerk had done for him just an hour or so before he came into the hearing. Here, I may get the number one partner on the case coming in to argue it, having been briefed by a lieutenant, having read the material or perhaps done some of the authorship herself before she comes in. So, they are well-briefed, the practitioners know the issues very, very well, not only because they have lived with them in this area of their practice for a long time, but also they are really ready to go for this particular hearing. So, I really need to be on my toes, too.

Q: Have you noticed in either unlimited civil or here in complex any trends with respect to civility among members of the bar?

A: Yes. In unlimited civil, most of the lawyers were ladies and gentlemen. Occasionally you would get someone who was rude and uncivil to his opponent or to court staff and it would be very upsetting to everyone. You would have to come down hard. I would say that percentage roughly speaking was maybe 10%. Now, I imagine it is much higher in the actual practice. After all, I am not sitting in on all the depositions, taking the phone calls, like I used to when I was practicing law, and I know that is where a lot of the incivility is. But by the time they got to me, they had calmed down and they were usually on their best behavior. I have often set a deposition in a contentious case in my jury room, so that I could keep an eye on them. And once I do that, there are few problems. Since I have come to complex, civility has not been a problem. Keep in mind that I have only been here three months. I am sure sooner or later the percentages are going to catch up with me. But, given the quality of the practitioners I am seeing, they may get after each other on the issues, but at least when I see them, and when they are before me and when I am trying to sit down with them to work out a problem in a jury room or one of the conference rooms or here in chambers, incivility is not a problem.

Q: Other than your technique of having depositions set in your jury room are there other things that you would use to try to rein in the small percentage of lawyers who are uncivil?

A: Yes, take them into chambers. There is an old rule that you learn as a judge early on and that was, if you were beginning to lose your patience, the best thing to do is step off the bench and take a break. If it is getting ugly out in the courtroom or I just sense that things are unraveling, I will bring them into chambers during a trial break. Get it solved early. Chew them out good and proper when necessary, call them on the carpet early and it is usually not a problem later.

Q: Can you tell us about your family and your personal history?

A: Well, let’s see. I went to three high schools, one each in Florida, Connecticut and Pennsylvania. I studied some, and played on the football team at all three of them. I also ran track, the hurdles and quarter mile. I was in the Navy for four years, saw a good part of the world including Africa, India, Australia, and South America. I did two tours of duty in Vietnam. One on

-Continued on page 8-
-Interview: Continued from page 7-

land and one on a ship. The one on land in the Mekong delta was very difficult. The one on ship was a piece of cake. When I got out, my folks had moved to California, so I went to UCLA. I went onto law school, took and passed the bar exams in California, Arizona, and Colorado. I practiced law for 20 years. I am a member of ABOTA, so I knew before I went to the bench what trying a case was like and how difficult that could be. How rewarding it could be when you win and how devastating it could be when you lose. Now, I love being a trial judge. I have two children and have been married to the same woman for 25 years. Our boys are ages 21 and 17. And, life is good.

Q: You mentioned that you spend a great majority of your time reading. Do have any specific recommendations or suggestions for young lawyers who do a lot of that drafting on how to make it clearer?

A: Oh yeah, do not make me hunt for the key points buried somewhere, get them right there upfront as soon as you can. And do not forget how important a bare-bones sketch of the case is to the judge. Do not assume that I know or remember automatically what your case is all about and the basic issues. It is like walking into a room with a huge fight going on. What the…What is this all about?? You would like to know first off at least the type of case and the basic contentions. The idea here is to make it so that before the complicated arguments and case cites begin, the judge can go, “Oh yeah, I remember this case” and get focused in on who the parties are and what had happened before. I keep notes on the cases in complex so that I can go to them and find out about the case we’re working on, but it still saves me time if there’s a good introduction. Be as concise as you possibly can, do not argue in the declarations – that always irritates judges – keep it factual. Remember the judges while they can take judicial notice of documents in the file, they usually cannot take judicial notice of the truth of the contents of declarations within the file. If you are going to move for summary judgment and you are going to ask the court to rule on the objections, provide some framework to do that. In other words, Objection No. 1, Declaration of Plaintiff Jones, page 7, line 23, quote the language and then give your objections concisely and then provide space for the judge to check “overruled” or “sustained”. So all the judge has to do is go down your list with the declaration in hand and check the boxes as to whether or not it is overruled or sustained. It makes it easier for the judge to go through that laborious process. Consider the poor judge reading all that stuff, usually at the end of the day, and make it easier for him or her to rule in your favor. It surely can’t hurt.

• Jim Poth is a partner and Brian Recor is an associate in the Orange County office of Jones Day.

-Infringement: Continued from page 1-

It is important to note that the text of the section does not require marking, but encourages the practice by setting out a potentially harsh consequences for a patentee's failure to mark. Specifically, “no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.” Id. In short, where § 287(a) applies, any infringement damages begin to accrue only at the time the patentee marked its patented products or delivered actual notice of infringement to the infringer. See id.; Maxwell v. J. Baker, Inc., 86 F.3d 1098, 1111 (Fed. Cir. 1996) (denying infringer’s motion for a judgment as a matter of law limiting damages on the ground that substantial evidence supported the jury’s verdict that patentee had properly marked its products).

Applicability of the § 287(a)’s Marking Requirements

Certain patents do not trigger § 287(a) at all. Whether the statute applies depends on how the patent at issue is drafted. Patents set forth the invention in a series of claims. Claims are basically descriptions of the patented invention that set forth what is covered by
the patent. Claims may be directed to a process or method or to an apparatus. A patent directed to a method, not surprisingly, does not trigger § 287(a), because there is nothing to mark. Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc., 246 F.3d 1336, 1353 (Fed. Cir. 2001) (stating “because [the patent at issue] only claims methods, the notice provisions of § 287(a) do not apply to it.”). On the other hand, where a patent contains both method and apparatus claims, section 287(a) applies to the extent that the patentee or its licensees have placed an article in commerce that embodies the patented invention. This is a factual inquiry. An article embodies the patented invention if it would literally infringe a claim in the patent. Broadcom Corp. v. Agere Sys., Inc., 2004 U.S. Dist. LEXIS 18163 *10 - *11 (E.D. Pa., Sept. 8, 2004). This inquiry is identical to the analysis of whether an accused product infringes the patent. The analysis is simply directed to the patentee’s own product instead of the accused infringer’s. As with analysis of infringement, the court must engage in a two-step process. It must first construe the claims of the patent in order to determine what is covered. It must then examine the article sold by the patentee to determine if it falls within the claim’s description. If the answer to the latter inquiry is “yes,” then the patentee’s product is a “patented article” within the meaning of section 287(a) and must have been marked before the infringer can claim damages. Id. at *11-*12. The Broadcom court denied summary judgment where the patentee had admittedly sold unmarked devices. The court held that there was an issue of fact as to whether the devices that the patentee sold fell within its patent’s claims. The court had not yet construed the patent’s claims and so could not evaluate whether the patentee’s product fell within their scope. Id. at *12 - *13. “Whether an article is covered by a particular patent is a question that must be proven; it cannot be assumed by this Court.” Id. at *10 (internal quotations omitted); see also AT&T Corp. v. Microsoft Corp., 290 F. Supp. 2d 409, 412 (S.D.N.Y. 2003) (analyzing actual notice where patentee failed to mark products containing components embodying patent claiming a voice processing system).

Assuming that the article at issue embodies the patent, then the article must be marked if it is possible to do so. Courts do not “divorce an item’s status as tangible or intangible from its ability to be marked, but rather [define] ‘tangible item[s]’ . . . as those items that can be marked and intangible items as those that cannot be marked.” Soverain Software L.L.C. v. Amazon.com, Inc., 383 F. Supp. 2d 904, 909 (E.D. Tex. 2005) citing American Medical Sys. v. Medical Eng’g Corp., 6 F.3d 1523, 1538 (Fed. Cir. 1993). The Soverain Software court concluded that a website associated with the patent triggered the marking statute. Soverain Software, 383 F. Supp. 2d at 906. The patents at issue in Soverain Software concerned a system for online shopping. The patent claimed a “network based sales system that include[d] a buyer computer, a merchant computer, and a virtual shopping cart.” Id. Soverain had licensed its product to thirty-two companies who used the product on their websites. In response to the accused infringer’s motion for summary judgment, Soverain could offer no evidence that these licensees had included a section 287(a) patent notice on their websites. The court granted summary judgment limiting Soverain’s damages to the period commencing when Soverain gave the defendant actual notice of the infringement. Id. 909. In so holding the court concluded that a website could be marked, so was a tangible object within the scope of section 287(a).

It follows, then, that section 287(a) does not apply in two situations. First, as stated, the section has no application to method patents to the extent that there is nothing for the patentee to mark. Second, the section does not limit damages where the patentee did not produce or license another to produce a product embodying the patent. In the marking context, “[p]enalty for failure implies opportunity to perform.” Tex. Digital Sys. v. Telegenix, Inc., 308 F.3d 1193, 1220 (Fed. Cir. 2002), quoting Wine Ry. Appliance Co. v. Enterprise Ry. Equipment Co., 297 U.S. 387, 395 (U.S. 1936).

Compliance with Section 287(a).

If the marking statute applies, the patentee must mark all “patented articles” in order to recover damages for infringement. 35 U.S.C. § 287(a). There is a de minimus exception to the requirement that all patented articles be so marked. See American Medical Sys., 6 F.3d at 1537 (stating that marking must be substantially consistent and continuous to comply with the statute). The patentee is also responsible for its licensees. A licensee’s failure to mark the patented article can limit the damages for infringement available to the patentee. Amsted Indus. v. Buckeye Steel Castings Co., 24 F.3d 178, 184 (Fed. Cir. 1994). The Amsted court was faced with a patentee who manufactured one element of a patented combination for sale to its customers with the
understanding that the customers would manufacture and sell the entire combination. The customers failed to mark the completed article. The patentee argued that it had not itself manufactured or distributed any of the patented articles, so should not be held to the damage limitations based on its customers’ failure to mark the completed invention. The Federal Circuit rejected this contention, holding that the statutory language “[p]atentees, and persons making or selling any patented article for or under them . . .” included express and implied licensees, such as the patentee’s customers/licensess who actually completed the manufacture of the patented device. Id. at 185. The court reasoned that the patentee could have easily required its customers to mark the fully assembled article in compliance with § 287(a). Id. Subsequent decisions have held that that a patentee may comply with § 287 by making reasonable efforts to ensure compliance with the marking requirements by its licensees or other unrelated third parties. E.g., Clancy Sys. Int’l v. Symbol Techs., 953 F. Supp. 1170, 1173 (D. Colo. 1997).

Courts have expressed the “de minimus” threshold as a percentage. The court in Imagexpo LLC v. Microsoft Corp., 299 F. Supp. 2d 550 (E.D. Va. 2003), found a triable issue of fact as to whether sufficient numbers were marked where the patentee submitted evidence that it had marked approximately 85% of its products. Id. at 554; see also Maxwell, 86 F.3d at 1112 (holding that sufficient evidence supported jury's finding of compliance where 95% of product was marked even where volume meant that millions of unmarked products were sold). In Maxwell, the court also found it important that the patentee had taken substantial efforts to police its licensees. Id. On the other end of the spectrum are the facts before the Clancy Systems court. There the patentee had produced and marked no more than five of the patented articles. Its licensees, however, had produced and sold unmarked embodiments in “commercial quantities.” Clancy Systems, 953 F. Supp. at 1173-74. Faced with this evidence, the court granted summary judgment for the accused infringer on the issue of marking. Id. at 1174.

**Adequacy of the Mark**

The statute requires a quite specific marking in one of two locations: on the article itself, or where this is not possible, upon its packaging. Patented articles must be marked with “the word ‘patent’ or the abbreviation ‘pat.,’ together with the number of the patent.”
notice of the patent with that portion of the website embodying the invention. *Id.* at *12-*13.

**Procedural Considerations**

Notice, either of the constructive variety provided by marking or actual notice of infringement, is an element of the patentee’s damage claim and not an affirmative defense. The patentee therefore has the burden of pleading and proving actual notice and/or marking. *Sentry Prot. Prods. v. Eagle Mfg. Co.*, 400 F.3d 910, 918 (Fed. Cir. 2005); see also *Tech. Licensing Corp. v. Thomson, Inc.*, 2005 U.S. Dist. LEXIS 24239, at *5-*9 (E.D. Cal., June 30, 2005) (granting partial summary judgment for defendant on counsel’s representation that defendant had prepared its discovery plan in reliance on plaintiff’s failure to plead actual notice or marking before the lawsuit). But a complaint’s failure to specifically plead marking or notice is not necessarily fatal to its claim for damages. Under the liberal standards of notice pleading, pleading willful infringement satisfies the requirement to plead marking or actual notice. *See Sentry Prot. Prods.*, 400 F.3d at 918. In order for an infringer act willfully, it must have been aware of the patent and the fact that it was infringing. Notice is thus incorporated into an allegation of willfulness. *Id.*

As an element of the patentee’s claim, it is possible that an accused infringer could raise the issue at any time. Failure to raise the marking notice does not waive the issue, at least at the trial court level. This has been the case even where the defendant did not raise the matter until the trial was underway. In that case, neither party raised the issue of marking until after the patentee’s damages expert had testified. *Advanced Medical Optics, Inc. v. Alcon Labs., Inc.*, 2005 U.S. Dist. LEXIS 33369, at *2, *7 (D. Del., Dec. 16, 2005), citing *Motorola v. United States*, 729 F.2d 765, 769-70 (Fed. Cir. 1984). Neither party raised the issue until plaintiff’s counsel asked a question of its witness directed to whether the plaintiff had complied with the marking statute. *Id.* The trial court found that Plaintiff had not properly marked its patented articles and limited the jury’s damage award accordingly. In response to plaintiff’s argument that the issue had been waived, the court stated, “the limitation of damages under § 287 is not a defense. Rather, the burden remains on the patentee to show that notice, either constructive notice from marking or actual notice, has been given . . . I conclude that [Defendant’s] failure to raise the issue was unintentional, and while [Plaintiff] may have believed that that the issue was not going to be addressed at trial, [Defendant’s] tardiness does not justify a windfall to [Plaintiff] of tens of millions of dollars from an earlier damages start date.” *Id.* at *7-*8 (internal citations omitted).

The requirement that patentees plead and prove marking or actual notice in order to recover damages is not a new one. Technological developments have merely required courts to adapt the language of the statute to new forms of technology. This has led to a more detailed analysis of what is “tangible” and what is not. In short if a patented article can be marked, it should be in a manner that provides the public with fair notice of what the patent actually claims. In doing so, the patentee may avoid limitation of any future recoveries for infringement.

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**President: Continued from page 2—**

responsibility for tasks to be accomplished. We all owe her our gratitude for a very successful year in 2005.

Our Past Presidents earned their positions of leadership; the ABTL has a history of recognizing those who have done the most for it and who always stand ready to do more. The one thing that impresses me the most in reviewing their career paths is that their leadership in this organization is not unusual or isolated, the Past Presidents lead active lives in their own firms, in other bar organizations, professional development groups, such as the Inns of Court, and they are active participants in assisting local charities. They always “show up.”

Our first four Presidents were the founding officers of the ABTL -- Orange County Chapter. Don Morrow was our first President. He has also served as President of the Orange County Bar Foundation, serves as Chair of Professional Development of Paul Hastings, and
negotiating skill of your Vice-President, Jim Bohm, and our Executive Director, Becky Cien, the hotel cost will be about one-half the normal charge. We are already well under-way assembling the panels for what promises to be a fabulous program helping us all to understand what we can do “When Things Go Wrong” -- the theme of this year’s presentation. I urge you to support your organization and to treat yourself by joining us in Maui in October.

We are here to serve you, so please share your thoughts, concerns and wishes with us. I will continue to “show up” and ask that you do too, as we are all in need of leaders.

Thank you.

- Gary Waldron is a partner in the firm of Waldron & Olson in Orange County.

-Mediator: Continued from page 3-

sult of the mediation is a written agreement that provides that Lucas gets paid $10 million and Paragon gets the distribution rights for the film. The film is released and does well. Everyone is happy.

Now the film goes to DVD and pay-per-view. Paragon starts selling DVD's like mad and licenses the film to cable companies on earth and other planets. Lucas screams bloody murder claiming that this is non-theatrical distribution and Paragon has no right to do it. Paragon asserts that it has the full rights to distribute the film, without any reservations.

At trial, Lucas wants to testify that he told Zanutt during the mediation that he would not give Paragon the right to distribute videocassettes or television rights, but that Paragon would only get the right to distribute the film in movie theatres. He says everyone agreed at the mediation that the word “distribution” meant theatrical distribution only. Lucas pulls out prior drafts of the settlement agreement that were prepared by Paragon’s counsel during the mediation that show that originally Paragon had the words “distribution means distribution in any form, including theatrical release, beta max, vhs and any other form of dissemination” as well as a version, marked up that same day at the mediation, where those words were stricken using a black marking pen.

-Continued on page 13-
and the words “Theatrical Only,” were written neatly by hand on the dark side of the page. Lucas sues Paragon and also sues his lawyer, Dirk Vader, for malpractice, asserting that his lawyer told him at the mediation that striking the language from the draft would mean that Paragon could never claim that the distribution rights included anything but theatrical distribution. In both cases, he calls the mediator as a witness to confirm that everyone agreed about what distribution rights meant. Later that week, Paragon fires Spielbaum for stealing office supplies. Spielbaum sues Paragon for wrongful termination, claiming that he was fired for supporting Lucas at the mediation, and not for the asserted basis of taking a company stapler home without written consent.

Had the meeting taken place in one of the lawyer’s offices without any mediator present, the conversations and the drafts would be admissible to explain the meaning of the word “distribution” and its scope. See *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 1993 U.S. App. LEXIS 4068, Copy. L. Rep. (CCH) P27068 (9th Cir. Feb. 17, 1993,) which is an unpublished opinion wherein the outcome of extrinsic evidence of this variety was crucial to the outcome. However, in this hypothetical, the extrinsic evidence was generated during mediation and is therefore absolutely privileged under Evidence Code § 1119. None of the communications may be admitted.

Additionally, the mediator cannot be called as a witness even if all the parties agreed to waive the mediation privilege, because under Evidence Code § 703.5 the mediator is “incompetent” to testify.

Also, the advice given during the mediation by the lawyer to client will likely be privileged in subsequent litigation between them. In another unpublished opinion, *Malcolm v. Malcolm*, 2004 Cal. Unpublished LEXIS 10675, the court of appeals agreed that attorney advice during mediation was inadmissible in a subsequent malpractice action between them. In affirming the order, the court stated: [T]he provisions of the Evidence Code provide no support for the Husband’s contention that the mediation confidentiality privilege is inapplicable when a party is suing his attorneys for ineffective assistance during mediation. The Legislature has not enacted an exception to section 1119 for discovery and disclosure of the mediation communications between an attorney and his or her client in an ensuing malpractice action, and this Court may not create one,” citing *Foxgate Homeowner’s Association v. Bramalea California, Inc.* (2001) 26 Cal 4th 1, 17.

As a result, in Lucas’s lawsuit versus Dirk Vader, Lucas will likely be barred from offering evidence that Vader told him that he would be protected by the dark side of the draft. While lawyers may take some comfort from the shield against being forced to disclose alleged bad advice given in mediation, a lawyer will be equally barred from offering evidence of a verbal warning given to the client during mediation, or the client’s knowing acceptance of a risk to make the deal work.

And what about poor Spielbaum, who was really fired because of what happened at the mediation, rather than the office supplies pretext? The insult and its circumstances are inadmissible. The mediation privilege attaches to all mediation “participants” not just the parties to the specific discussion. In *Doe I v. Superior Court* (2005) 132 Cal. App. 4th 1160, individual priests prevented public disclosure by the Los Angeles Diocese of a list of names for whom the Diocese had notice of prior acts of molestation -- even though the Diocese consented to public disclosure. The court ruled that because not all the participants in the mediation consented to the disclosure, any participant could, by not agreeing, prevent disclosure of any mediation communication.

Like the balance between national security and civil liberties, the important public policy of unfettered settlement dialogue in mediation can produce unexpected violence to justice and liberty. This article is designed to give fair warning to lawyers and clients, that the giddy jubilation that usually follows the signing of a settlement agreement at mediation can quickly be turned to the dark side.

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II. Background and Requirements of the CFAA

The CFAA was enacted in 1984 as the “Counterfeit Access Device and Computer Fraud and Abuse Act.” Pub. L. No. 98-473, 2101(a), 98 Stat. 1837, 2190 (1984). (The title was changed to “CFAA” pursuant to 1986 amendments to the statute.) The CFAA originally was enacted as a criminal law designed to curtail computer crimes. Id. The statute has been amended several times, however (most recently in 2001). Pub. L. No. 107-56, 814, 115 Stat. 366, 382 (2001). One of the most notable changes to the CFAA occurred in 1994, when the statute was amended to permit the recovery of civil remedies. Pub. L. No. 103-322, 290001, 108 Stat. 1796, 2097-99 (1994) (codified at 18 U.S.C. §1030(g)).

At the time it was enacted (again, as a federal criminal statute), the CFAA was intended primarily to address computer “hacking” by individuals attempting to gain access to confidential and private information. S. Rep. No. 104-357, at 3 (1996). Both through statutory amendments and judicial interpretations, however, the scope of the CFAA has proven to be far more expansive. As pertinent to this Article, under the current version of the CFAA, a person faces liability if he or she “knowingly causes the transmission of a program, information, code, or command, and as a result of such conduct, intentionally causes damage without authorization, to a protected computer.” 18 U.S.C. §1030(a)(5) (A)(i). The term “damage” is defined as “any impairment to the integrity or availability of data, a program, a system or information.” 18 U.S.C. §1030(e)(8).

To maintain a civil action under the CFAA, an aggrieved party must prove a minimum loss of $5,000 in addition to proving a violation of one of the Act’s substantive provisions. 18 U.S.C. §1030(a)(4)(B). “Loss” is defined as “any reasonable cost to any victim, including the cost of responding to an offense, conducting a damage assessment, and restoring the data, program, system, or information to its condition prior to the offense, and any revenue lost, cost incurred, or other consequential damages incurred because of interruption of service.” 18 U.S.C. §1030(e)(11). The statute of limitations for filing a civil action under the CFAA is two years from the date of discovery of the damage. 18 U.S.C. §1030(g).

III. The Citrin Decision

Jacob Citrin was hired by International Airport Centers (IAC) to identify potential real estate acquisitions for IAC, and also to assist in the acquisition process. IAC provided Citrin with a laptop computer to record pertinent data relating to the properties he targeted on the company’s behalf. Citrin ultimately decided to start his own business -- in direct competition with IAC -- in breach of his employment agreement with IAC. Before leaving IAC’s employ, however, Citrin deleted all data entries he had made in his company-issued laptop, including “not only the data that he had collected but also data that would have revealed to IAC improper conduct in which he had engaged before he decided to quit.”

Citrin did not stop at pressing the “delete” key on his laptop (or using his mouse to select the “delete” option), however. Instead, Citrin took the further step of loading into his laptop a secure-erasure program, which was designed, by writing over the files he had deleted, to prevent their recovery. IAC, in turn, did not have copies of any of the files that Citrin had deleted and overwritten.

IAC filed suit in the U.S. District Court for the Northern District of Illinois, asserting claims for, inter alia, violation of the CFAA and breach of employment agreement. The district court held that IAC had failed to state a claim upon which relief could be granted, an order IAC appealed to the Seventh Circuit. In the Seventh Circuit’s opinion, dated March 8, 2006, Chief Judge Posner noted that the central issue in the case boiled down the definition and interpretation of a single key provision of the CFAA -- “transmission.” As noted above, under its terms, the CFAA is violated when one who “knowingly causes the transmission of a program, information, code, or command, and as a result of such conduct, intentionally causes damage without authorization, to a protected computer.”

Both the district court’s and the Court of Appeals’ discussions of the facts were sparse, since they were limited to the facts alleged in IAC’s complaint.
Before the Seventh Circuit, Citrin argued that merely erasing a file from a computer was not a covered “transmission” under the CFAA, because while pressing a delete or erase key does transmit a command, “it might be stretching the statute too far (especially since it provides criminal as well as civil sanctions for its violation) to consider any typing on a computer keyboard to be a form of ‘transmission’ just because it transmits a command to the computer.”

The Court of Appeals, led by Chief Judge Posner, recognized that ordinarily, pressing a “delete” key (or using a mouse to delete) does not affect the data sought to be deleted. Instead, “it merely removes the index entry and pointers to the data file so that the file appears no longer to be there, and the space allocated to that file is made available for future write commands. Such ‘deleted’ files are easily recoverable.” The Court noted further: “[t]here is more here, however: the transmission of the secure-erasure program to the computer.” The installation of this data overwriting program, according to the Court, rendered Citrin’s conduct actionable under the CFAA. Further, it mattered not to the Court the method by which installed the secure-erasure program, i.e., whether it was copied from a disk or a downloaded Internet file:

We do not know whether the program was downloaded from the Internet or copied from a floppy disk (or the equivalent of a floppy disk, such as a CD) inserted into a disk drive that was either inside the computer or attached to it by a wire. Oddly, the complaint doesn’t say; maybe IAC doesn’t know—maybe all it knows is that when it got the computer back, the files in it had been erased. But we don’t see what difference the precise mode of transmission can make. In either the Internet download or the disk insertion, a program intended to cause damage (not to the physical computer, of course, but to its files — but “damage” includes “any impairment to the integrity or availability of data, a program, a system, or information,” 18 U.S.C. §1030(e)(8)) is transmitted to the computer electronically. The only difference, so far as the mechanics of transmission are concerned, is that the disk is inserted manually before the program on it is transmitted electronically to the computer. The difference vanishes if the disk drive into which the disk is inserted is an external drive, connected to the computer by a wire, just as the computer is connected to the Internet by a telephone cable or a broadband cable or wirelessly.

The Court noted that Congress was equally concerned with both types of attack: remote attacks by virus and worm writers, on the one hand, and “attacks by disgruntled programmers who decide to trash the employer’s data system on the way out (or threaten to do so in order to extort payments),” on the other. Since the statute provides that that anyone who “intentionally accesses a protected computer without authorization, and as a result of such conduct, recklessly causes damage” violates the Act, 18 U.S.C. §1030(a)(5)(A)(ii) (emphasis added), the Court held that “it can’t make any difference that the destructive program comes on a physical medium, such as a floppy disk or CD.”

With regard to the statute’s “authorization” language, the Court found that Citrin violated this language, too, because “his authorization to access the laptop terminated when, having already engaged in misconduct and decided to quit IAC in violation of his employment contract, he resolved to destroy files that he actually knew and other files that were also the property of his employer, in violation of the duty of loyalty that agency law imposes on an employee (citing Restatement (Second) of Agency §§ 112, 387 (1958)).” Violating the duty of loyalty, or failing to disclose adverse interests does, in fact, void the agency relationship. Id. at §§ 112, 409(1).

Finally, the Court rejected Citrin’s argument that the fact that his employment contract directed him to “return or destroy” data in the laptop when he ceased being employed by IAC authorized his taking the affirmative steps of installing a secure-erasure program to ensure the deletion of the data he had entered into the laptop. According to Chief Judge Posner, “it is unlikely, to say the least, that the provision was intended to authorize him to destroy data that he knew the

6. Recognizing a nuance in the language of the CFAA, the Court noted that the Act distinguishes between “without authorization” and “exceeding authorized access,” 18 U.S.C. §§1030(a)(1), (2), (4), defining the latter as “access[ing] a computer with authorization . . . and us[ing] such access to obtain or alter information in the computer that the accessor is not entitled so to obtain or alter.” 18 U.S.C. C. §1030(e)(6). Noting that the difference between “without authorization” and “exceeding authorized” access is “paper thin” (but “not quite invisible”), the Court held that Citrin had in fact acted without authorization on the basis of the agency principles cited above.

-Continued on page 16-
company had no duplicates of and would have wanted to have -- if only to nail Citrin for misconduct.” The Court further found that “[t]he purpose of the provision may have been to avoid overloading the company with returned data of no further value, which the employee should simply have deleted,” but “[m]ore likely the purpose was simply to remind Citrin that he was not to disseminate confidential data after he left the company’s employ -- the provision authorizing him to return or destroy data in the laptop was limited to ‘Confidential’ information.”

IV. Conclusion

The Seventh Circuit’s decision in Citrin is reflective of the expanding application and scope of the CFAA in the civil context generally, and the employment context specifically. Considering the Court of Appeals’ opinion was authored by Chief Judge Posner, a pathbreaking jurist and highly-regarded legal philosopher, it would not be surprising if this trend continues.

- Jesse E.M. Randolph is an employment litigation associate in the law firm of Morgan, Lewis & Bockius.

-Sponsor: Continued from page 4-

cases in California dealing with the issue of alter ego liability related to LLCs. California case law on the topic of alter ego liability regarding LLCs is represented in Warburton/Buttner v. The Superior Court of San Diego County. This case held that a LLC’s members are subject to the common law doctrine of alter ego liability pursuant to Section 17101(b) of the California Corporations Code. The holding in this case is consistent with holdings in other California cases.

There are no cases published which deal with the concept of alter ego related to LLPs or LPs.

Limited Liability Companies

LLCs may be formed with only one member. Cal Corp Code 17001(t) and 17050(b). This is similar to corporate statutes allowing only one shareholder for formation.

Pursuant to the Corporations Code, LLC members enjoy limited liability status but are also subject to personal liability for the debts of the LLC under the doctrine of “alter ego.”

Members of an LLC have limited liability for the debts of the LLC. Cal. Corp. Code 17101(a).

Members of an LLC shall be subject to liability under the common law governing Alter Ego Liability. Cal. Corp. Code 17101 (b).

Pursuant to the Warburton case LLC members can be held liable under the doctrine of “Alter Ego” Cal. Corp. Code 17200(a) states that a LLCs Articles or Membership Agreement may require that a member contribute money, property or services to the capital of the LLC. This is in contrast Cal. Corp. Code 409 which requires consideration be received by the corporation in exchange for the issuance of shares.

LLCs have less restrictive requirements related to formalities than corporations. Cal. Corp. Code 17101 (b).

LLCs have rules similar to corporations related to the books and records which must be maintained.

Distributions to shareholders of a corporation and distribution to members of a LLC are defined similarly and in broad terms at Cal Corp Code 166 and 17001(j) respectively. However, a distinction exists between corporations and LLCs with regards to allowable distributions.

Distributions to members of a LLC are controlled by Cal. Corp. Code 17254(a), which states that a LLC shall not make any distribution to members if, after giving effect to the distribution, either of the following occurs:

1. The LLC would not be able to meet its liabilities as they become due in the usual course of business; or
2. The LLCs total assets would be less than the sum of its total liabilities plus unless the operating agreements provides otherwise, the amount that would be needed, if the LLC were to be dissolved at the time of the distribution, to satisfy the preferential rights of other members upon dissolution that are superior to the rights of the member receiving the distribution.

Withdrawals by shareholders of a corporation are subject to provisions which are similar to the LLC pro-

-Continued on page 17-
visions (1) and (2) above, those being Cal. Corp. Code 500, 501, 502 and 503 but the liquidity provisions for LLCs and corporations differ. The liquidity provision in (2) above indicates that a LLC can make a distribution if after giving effect to the distribution the LLC’s assets exceed its liabilities. The corporate liquidity provisions in Cal. Corp. Code 500 are different than the LLC liquidity provision for distributions and in some cases may be more stringent.

**Limited Liability Partnerships**

LLPs are partnerships, other than LPs, that are registered with the state and each of the partners are persons licensed or authorized to provide professional services in the practice of architecture, public accountancy, or law. Cal. Corp. Code 16101(8)(A).

All partners in a LLP enjoy limited liability status for the debts of the LLP and the other partners in the partnership. Cal. Corp. Code 16306©.

LLPs offer no protection for liability related to the tortious conduct of the limited partner. Cal. Corp. Code 16306(e). In addition, LLPs are required to provide security for claims arising from malpractice of the partners. Cal. Corp. Code 16956.

LLP withdrawals are subject to restrictions similar to the restrictions imposed on withdrawals to members of a LLC.

The California appellate decisions appear devoid of any reference with respect to a LLP partner’s liability under a theory of alter ego. Further, there is no statute in the California Corporations Code which indicates that a partner of an LLP is liable for the debts of the LLP under a theory of alter ego.

**Limited Partnerships**

Unlike corporations and LLCs, a partner’s personal liability in a LP is determined by the partner’s designation as “general” partner rather than under a theory of alter ego liability.

A limited partner is not liable for any obligations of a limited partnership unless named as a general partner in the certificate or the limited partner participates in the control of the business. Cal. Corp. Code 15632(a).

A limited partner designated as a general partner by control is not immediately personally liable to all creditors of the LP. Cal. Corp. Code 15632(a).

Cal. Corp. Code 15632(b) provides a non-exclusive list of safe-harbor activities that a limited partner may engage in without being considered to participate in “control” of the LP.

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**LUNCH WITH JUSTICE FYBEL**

We are pleased to invite you to a brown bag lunch with the Hon. Richard D. Fybel of the California Court of Appeal, which will take place at 12:00 noon, Wednesday, May 10, 2006. Please meet Justice Fybel at the California Court of Appeal, 500 W. Santa Ana Blvd., 4th Fl., Santa Ana, CA. Take the center elevator to the 4th Fl, exit to the left and look for the room marked “Settlement Conference Suite/Reception.” You will be greeted in this area.

This activity enables ABTL members to interact with distinguished members of our local bench in an informal setting, without a pre-set agenda. This event is limited to 10 attorneys, and reservations will be accepted on a first-come basis.

You can make your reservations by e-mailing your name, firm, phone and e-mail address to abtl@abtl.org. We will contact you to confirm your participation. Once your attendance has been confirmed, a list of attendees will be provided to Justice Fybel. Should a conflict arise which prevents you from attending, please call us as soon as possible, and in no event later than 48 hours before the scheduled lunch, so we can select an alternate participant. There is no cost to attend this event.
Wednesday, June 7, 2006
ABTL Wine Tasting & Fundraiser in Support of The Public Law Center

Keynote address by… MICHAEL JOSEPHSON JOSEPHSON INSTITUTE OF ETHICS

The Joseph & Edna Josephson Institute of Ethics is a public-benefit, nonprofit, nonpartisan and nonsectarian membership organization founded by Michael Josephson in honor of his parents. Since 1987, the Institute has conducted programs and workshops for over 100,000 influential leaders including legislators and mayors, high-ranking public executives, congressional staff, editors and reporters, senior corporate and nonprofit executives, judges and lawyers, and military and police officers.

1 (ONE) HR. MCLE ETHICS CREDIT: This activity has been approved for Minimum CLE Credit by the State Bar of California. The ABTL certifies this activity conforms to the standards of approved education activities prescribed by the rules and regulations of the State Bar of CA.

The Westin South Coast Plaza Hotel, 686 Anton Blvd., Costa Mesa, CA
6:00 p.m. Wine Tasting Fundraiser    7:00 p.m. Dinner and Program

Cost: 2006 ABTL Members $70, Non-Members $100
Tables of 10 Members: $675  Tables of 10 Non-Members: $1000

Please include a list of attendees' names with all table reservations.

Mail your registration and check made payable to the ABTL to the address below.

NAME(S): ___________________________________________________________________________________
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PLEASE CHARGE MY REGISTRATION TO MY MASTERCARD/VISA:

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Sponsorship opportunities are still available for this event.

Contact the ABTL for more information and to confirm your participation.
ABTL 33rd ANNUAL SEMINAR
OCTOBER 18-22, 2006 GRAND WAILEA RESORT

“WHEN THINGS GO WRONG”

Keynote Speaker: Hon. Carol A. Corrigan CA Supreme Court, Associate Justice

You are invited to join us for another year of unmatched ABTL programming, while enjoying the beauty of Hawaii. The ABTL returns to Maui in 2006 and has negotiated incredibly reduced room rates at the Grand Wailea.

Garden Rooms at $220 & Ocean Rooms at $255. Make your hotel reservations today.

Contact Executours (310) 552.0786 for assistance with your travel needs.

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