

Letter from  
the President

**“A** firm grows not on who it knows but what it knows.”

“Lawyers will be hired and promoted on the basis of legal acumen, not on business production.”

These were two of the items described by the *Wall Street Journal* recently as part of “The Cravath Way,” the traditional ways maintained by one of the premier firms, and the second most profitable firm in the United States, according to *American Lawyer* magazine.



Karen Kaplowitz

As an organization, ABTL has thrived because its programs boost the expertise of its members. Our dinner meetings and annual seminars have always focused on knowledge and skills to enhance our abilities, including our knowledge of and the preferences of our judiciary. The hallmark of ABTL has been the emphasis on professional excellence.

But, is “The Cravath Way” an anachronism? Is “The Cravath Way” enough in the highly competitive environment in which we practice.

I raise the issue to elicit feedback from you on whether we should vary our emphasis. Historically, most of our programs have been substantive in nature: new trends in the law, new procedures and rules in the court, trial practice and litigation skills. For several years, our annual seminars have been heavily demonstrative in nature, with the best trial lawyers in the state. Only occasionally have we had programs which focus on client relationships, like a

*(Continued on page 7)*

INSIDE

The Care and Feeding of Experts	by Neill W. Freeman, C.P.A. .... p. 3
Just Say “No” to Special Masters	by Larry C. Russ..... p. 5
Cases of Note	by Denise M. Parga ..... p. 7
Probate Law for Business Litigators	by Jeffrey M. Loeb..... p. 8
Insurance Coverage for Trademark and Trade Dress Infringement	by Bruce A. Friedman and Jeffrey H. Mintz ..... p. 9

Oral Argument *et al.*: An Interview with Justice Norman Epstein

**I**n an interview with *ABTL Report*, Justice Norman Epstein advises that it is generally foolish to waive oral argument — the Court is swayed more often than you might think. When you do show up for oral argument, don't just ask for questions and then sit down if there are none. Say something that will start a dialog with the court. He offers other practice tips and insights in this interview, conducted by Associate Editor Robin Meadow. Justice Epstein was appointed in 1990 to the Second District Court of Appeal. He was previously appointed in 1980 to serve on the Los Angeles County Superior Court.



Hon. Norman Epstein

**ABTL:** Let's begin by discussing your personal approach to working up appeals. Can you describe the process?

**Justice Epstein:** Practices differ from judge to judge and from panel to panel. Ours is an informal group in which give and take is the norm. What follows is how I approach the work-up. There are other ways to do it and they may be equally valid, or better. But this is the way that has worked for me.

Many justices begin with a memo prepared by staff. My view is that the appellant is entitled to the first shot at the judge before anyone else, so I read the appellant's opening brief first. If it's clear from that brief that the appeal is utterly lacking in merit, I probably won't spend a lot of time on the respondent's brief because the appellant is not going to succeed in any case. Otherwise, I read the remaining briefs and write a memo summarizing what seem to be the principal issues and their resolution and my tentative call as to the result. After doing this for all the cases on which I am assigned as the lead justice, I read the briefs on the cases where I am a member of the panel and do the same for them. Then I meet with my three research attorneys, and all four of us go through the whole calendar for the matters on which I am lead and we talk about them. I assign most of the cases to one of the research attorneys, and usually keep some for myself to work up from scratch. During the ensuing weeks, we work through the cases; everyone is in and out of everyone else's office on a fairly constant basis.

**ABTL:** After your initial review, what do you do with the cases on which you are not the lead?

**Justice Epstein:** After I read the briefs, if I think I may have something in particular to contribute, I'll mention it to the judge

*(Continued on page 2)*

who is the lead on that case, or give that judge a copy of my notes. Otherwise, I wait to read the circulating draft from that judge.

**ABTL:** Do you always conference before oral argument?

**Justice Epstein:** Yes. By that time, the lead judges have circulated bench memos. If the bench memo of the lead judge disagrees with the conclusion I reached from my initial impression based on the briefing, I re-examine my earlier conclusion. If I still disagree, I usually discuss it with the assigned judge. The day before argument, we have a conference and the judges go through the whole calendar. At that point, any serious questions will be talked about. If we don't agree, the resolution often is, "Let's hear argument." After argument, the lead judge circulates a draft opinion, and if the other judges on the panel agree with it, they sign it.



Robin Meadow

If not, and if the differences aren't resolved, there will be a separate concurring opinion or a dissenting opinion. That happens in a very small number of cases.

**ABTL:** There has been some press recently about how overwhelmed the appellate courts have become. Has that limited your ability to delve into all of your division's cases in the way you've described?

**Justice Epstein:** I have two answers to that. First, although we do have a heavy caseload, I believe things have leveled off. The Court

now has some additional judicial and staff positions. Also, the statistics suggest that we should not expect a significant increase in the caseload. From time to time, very large and significant cases may seem to gang up on a particular calendar. But, no, I don't think we're overwhelmed by the workload.

My second response is a little more cautionary. We are oriented toward deciding the cases we have, not toward fulfilling an agenda of wrongs to be righted whenever an appropriate vehicle to do so can be found. I recall reading an article in which the author discussed an opinion I had written and tried to read into it long-range ideas that I had never considered and which went well beyond the issues of the case.

**ABTL:** Let's turn to oral argument. Does it matter?

**Justice Epstein:** Yes. There's a widespread view among lawyers that oral argument is a waste of time. But I recall Otto Kaus saying at an ABTL forum that in his view, it's close to malpractice for an attorney to waive argument. I think that's pretty close to the mark if you're the appellant. You're trying to get a court to do something it is institutionally reluctant to do — overturn the trial court. We don't do that lightly. We've got to be convinced, not only that there was error, but *prejudicial* error. Usually that means we have to be satisfied that the appellant probably would have done better if the error had not occurred, or, as some courts say, the error has to undermine our confidence in the correctness of the result. That's serious business. And if that's your burden, I think it's generally foolish not to show up at oral argument to urge the position.

**ABTL:** But isn't it usually true that the opinion is largely written before argument and rarely changes?

**Justice Epstein:** Yes to the first part of your question. The answer to the second part is: not as often as you might think. In our division, as in most, by the time of oral argument, we already have a bench memo that often serves as the basis of the opinion, and we already have discussed the case. But we may not all be in

agreement. Counsel have no way of knowing in advance whether we are or not. It's not common that the oral argument turns an opinion around 180 degrees, but it happens enough. I've seen it. Certainly if the court asks you anything, it will be pointing you to something that's bothering one or more of the judges. It may be that the lead author didn't quite get the point you were trying to make and wants an explanation. That gives you one last chance to try to explain it, perhaps a little better or differently than you did in the brief. This is particularly important if the panel is divided, since if one of the judges is on your side, the oral argument may give you the opportunity to help that judge persuade one of the other two to join him or her.

Even if you don't change the result, sometimes the language that you get is much different than it would have been without argument. And that ties into something else. The decision to publish is often made after argument, and I've seen any number of cases where we weren't going to publish, but we decided to do so as a result of points made at the argument.

It seems to me that, unless the court indicates that it does not want oral argument, an appellant has nothing to lose by showing up for argument and presenting a very brief statement, giving the court an opportunity to ask questions if it wishes to do so. For respondent, it's different. You've won in the trial court. If the appellant wants to waive oral argument, you may be well advised to do so as well — or not, depending on your assessment of the briefing, the issues, and the panel.

**ABTL:** We've been talking about oral argument in appeals. What about writ petitions?

**Justice Epstein:** They follow a completely different process in our court. Although we didn't used to do so, we now have regular writ conferences to evaluate writ applications. Most courts do that. The process moves fairly quickly. When a truly urgent writ (it's called a "hot writ") comes along, we get together to discuss it within hours or even minutes after it arrives.

What lawyers must recognize is that granting an alternative writ or an order to show cause so that we reach the petition on the merits is the exception, not the rule. We do it without the opportunity for detailed study that we have in a regular appeal. If the court agrees to hear the case and the issue doesn't become moot, I would never, ever waive argument. The same is probably true for the respondent, unless you're essentially prepared to concede. Yet lawyers do sometimes waive oral argument even in these cases.

**ABTL:** Do parties sometimes waive argument when you would prefer that they appear?

**Justice Epstein:** Yes. Sometimes we alert counsel to issues we're particularly concerned about in a case by sending a letter focusing them on issues we would like them to address at argument. We probably should do that more often. We can insist on oral argument even though the parties wish to waive. We have done that a few times, but it's rare. There have been cases in which I've wondered why an appellant waived argument in light of the significance of the issues or other factors. But generally, that's their decision.

There's another problem, a bit tangential to your question, that concerns last minute waivers. By the week the case is set for argument, we have prepared for it and expect to hear it. A last-minute waiver is discourteous to opposing counsel, and perhaps to the court as well. I have seen cases where one party waived argument without notifying the other side in advance, and the other attorney might have been prepared to waive but instead ended up appearing.

**ABTL:** What about that situation? If your opponent waives, should you appear nevertheless?

**Justice Epstein:** It's hard to generalize, but I don't think the opponent's absence changes the possibility that oral argument may

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be useful for your case. If the court has a question for you, your opponent's absence won't make the court any less interested in the answer. As I said, I would rarely waive if I were the appellant and the respondent wanted to waive; and I'd think about it twice even if things were the other way around.

**ABTL:** *On the subject of last-minute changes in the case, how do you handle cases that settle at the last minute — perhaps even after argument, but before you have issued the opinion?*

**Justice Epstein:** Those are difficult situations. Settlement after we have devoted a lot of time to working up a case may rankle a little, but we recognize that the parties cannot always control the timing of settlement. Any judge who has sat on a law and motion calendar is used to this. In theory, we have the right to proceed to write an opinion despite the settlement if we think the issues are important enough — the parties do not have the power to yank the case out of our court if we believe it should be decided and possibly published. But I've never wanted to do that. It's likely to create mischief. The lawyer for the party who would have won has now got some real explaining to do to his or her client. It's different from a trial, because if you settle before trial, no one knows how the case would have come out.

**ABTL:** *Since you've suggested that lawyers should think twice before waiving oral argument, do you have any words of wisdom for those lawyers who do appear?*

**Justice Epstein:** Volumes have been written on this subject, and I don't have anything really new. But I do have a couple of short suggestions. First, don't simply stand up and ask if the court has any questions, and then sit down if it does not. If the judges have misunderstood one of your arguments, they may not see the need to ask a question. Say something, even if you take less than a minute. That's the opening. If somebody's bothered, hopefully he or she will give you a clue. And once you have that clue, you can go with it.

Second, lawyers shouldn't attempt a jury argument. Flamboyance and ringing pronouncements are usually not effective. Cogent explanations and direct — and scrupulously honest — responses to the court's questions are much more likely to help. Finally, in presenting an argument, don't read or, even worse, mumble. Speak directly to the justices.

**ABTL:** *If a lot has been written on oral appellate argument, even more has been written about writing briefs. Do you have any suggestions?*

**Justice Epstein:** None you probably don't know. But let me catalogue a few "dos" and "don'ts" that I see violated with too much frequency.

It's always a good idea to start the brief with an introductory statement — usually a page or two — that carefully sets out what you think is the main point to be made for your side. The dispositive issue, as you see it, may be point four or five in an outline, but the introductory statement lets you put it out up front, with all the force it ought to command.

Don't start by jumping into the middle of a complicated fact situation with an argument that presumes the judge already is entirely familiar with the case.

Don't spend a lot of space on off-the-shelf unassailable points.

And try to leave some white spaces — don't confront the reader with pages of unbroken argument without surcease.

It's never a good idea to argue *ad hominem* — the judge is likely to think name-calling is all you have to say. A well-presented and forceful argument is likely to be at least as hard hitting, and far more effective.

—Robin Meadow

## The Care and Feeding of Experts

In the May 1996 *ABTL Report*, James Plummer and Gerald McGowin list as the number two error in litigating business damages "Not hiring an economic damages expert early enough to assist in discovery." Whether they intended to prioritize their recommendations is unknown, but most experts will tell you their biggest, most consistent, problem is the early evening call from some harried associate — "Ms. Partner told me to call you, we have to designate experts tomorrow."

### Call Early

Put yourself in the expert's shoes. Like most industry and damages experts, he has numerous past and present client relationships; maybe one reason you called him was that he has testified before, either with or against Ms. Partner. He has to check for conflicts before he can even discuss the issues in the case with you. He won't know if he's the best person in his firm to testify on a subject until he knows the issues and the subject area of intended testimony. In fact, maybe you actually need more than one testifying expert, or separate experts for consulting and testimony. How much can you realistically expect between tonight and the end of the day tomorrow?

This approach does not favor for your expert or your client. The only saving grace is that it is more common in smaller cases and in circumstances where Ms. Partner is already reasonably certain that he's the right expert for the assignment. But even then it's not likely to endear you to the expert or produce the best results.

The usual explanation for this scenario is the attorney's well-intentioned effort to keep litigation expenses in check — don't incur the cost until it is absolutely necessary. But proper planning, together with good communication with the expert, can keep your timely call to the expert from running up any significant costs while allowing him to check conflicts and consider the nature of the assignment. Besides, there are almost always benefits to an early discussion of the issues that can result in reduced costs farther down the road.

Late-in-the-game calls also signal that discovery is probably very far along — depositions have been taken, documents exchanged and interrogatories propounded and probably answered. The expert's work may be more difficult and expensive because the best, or most direct, or most useable, information or testimony isn't there. In contrast, an early call to the expert allows him to assist with discovery to ensure that you ask for the information he's going to need for the assignment. The expert can assist you in using industry specific or technically correct terminology that will not only elicit information necessary for the expert's work but will also withstand "overly broad and not likely to lead to the discovery of admissible evidence" objections. (Do you really want all those checks and bank statements that are difficult to read and



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(Continued on page 4)

expensive to deal with, or will the cash disbursements register and month-end bank reconciliations be all the expert really needs?) The expert can also help you identify subjects for 30(b)(6) depositions. And you can use the expert's help in evaluating the fruits of discovery and to assist with, or oppose, motions to compel production.

For smaller cases all of these roles may be efficiently filled by your testifying expert, but larger litigation frequently demands both a testifying expert and a consulting expert — and you may not know whether this is true until the expert has studied your case. If you and the expert have only tonight and tomorrow to decide what role you want the expert to play, you can easily end up assigning the wrong roles. Remember that anything you discuss with your testifying expert, and anything that you show the expert, may be fair game for discovery. The advisory committee for the now-not-so-new Federal Rules commented that “litigants should no longer be able to argue that materials furnished to their experts...are privileged or otherwise protected from disclosure when such persons are testifying or being deposed.” (Committee Notes, Rule 26(a)(2)(B).)

At the time of the initial call, there is nothing wrong with telling the expert that the case may settle, or that upcoming motions may limit the case. Let the expert get the conflicts check out of the way and give the expert some idea of the schedule if the case *doesn't* settle. Nothing will keep your expert happier than keeping him informed. Just don't forget that you've told the expert not to do any work! If this point is lost on you, go back to the top and start over. The effect is the same.

#### **Call Early...Call Often**

Don't be afraid to communicate with your expert frequently. Frequent communications can be the key that keeps litigation costs in check — much better than an eleventh-hour call. Frequent communications with your expert lets you structure the work in phases, keeping you abreast of the expert's progress and allowing you to monitor expenses and evaluate cost/benefit relationships. (You've been there — your expert wants to tell you how to make a watch, but all you want to know is the time.) When you've worked with the expert before and each of you is comfortable with the issues and the assignment, there probably is nothing wrong with letting your expert loose, but this is not the rule. If you don't know the expert well, letting him loose is likely to compromise your goal of minimizing costs.

Frequent communications produce other benefits for you and the expert. Though within broad categories most cases have common elements, there are always unique factors in any litigation matter that need to be discussed and evaluated. Frequent communications allow you to convey your theory of the case, the attributes or approaches that make your case unique. How frequent were the communications when your expert proves, without a doubt, the seat belt was faulty — after you've spent months trying to establish that it was the steering assembly?

**F**requent communications allow you to identify vulnerabilities early, when they're easiest to deal with. These vulnerabilities may be personal to the expert, or they may be a function of the facts of the case.

All experts, by virtue of their expertise, use certain terminology unique to their field that will leave the jury confused, or at best, uninformed. It is frequently said that the ideal expert can commu-

nicate effectively at the high school level. If your expert uses words like “hysteresis,” pretty soon the jury will be asleep. Frequent communications will allow you to observe the expert's speech patterns and mannerisms and to note when he isn't communicating. It allows you time, other than the three minutes in the hallway, to take corrective action.

Frequent communications also allow you to alert the expert to the vulnerabilities in your fact situation. If your expert has been consulted in crafting and responding to discovery requests, and has met with you on case issues and approaches, he is unlikely to be surprised during cross with that one vulnerable fact that every case harbors.

#### **Help with Information**

Using your expert to help define and target discovery will go a long way in making sure the expert has the necessary information to complete the assignment. Frequent meetings or phone calls to update the expert will help keep the expert's work on track with your theories of the case. However, in many cases there is information that can only be obtained from somewhere deep in the recesses of the client bureaucracy. On a case of any size, you will do your expert and your client a tremendous service by identifying a contact person within the client's organization.

Don't pick one of the named parties as the contact person, and don't pick the person in the client's organization who will be a key witness. Ideally this person will be someone who has had hands-on, operational experience in the client's business, and one who knows the “politics” that exist in any company well enough to be able to get around the hurdles the organization presents. Employees each have their own duties, and they get no extra points for spending two hours (or days) pulling information for some goofy lawsuit when month-end payables are due. If some outside expert (or for that matter a lawyer or paralegal) calls, guess which job gets done first. The ideal contact person should have sufficient authority from the top to be able to meet with the necessary employees and their superiors so that priorities and timetables can be established that will get the job done for you and your expert. And it is probably your expert (at least a non-testifying expert) who should be communicating with the contact person.

In a case not too many years ago, where a contact person was missing from the team, the experts needed summaries of vast amounts of data stored in the client's computers. Inside counsel went to the data processing department to see if the information could be obtained. “Of course it could,” was the reply, but at a cost that exceeded house counsel's authority. Only by chance, as the cost request was working its way up the chain, the expert happened to be discussing the data needed with a line manager who had bummed his way around the organization for a quarter-century. “You want that?” was his response. “Here it is for last week, do you want more?” The information was produced monthly, not exactly in the form requested, but in a useable format. It seems that everyone in the organization knew about the report, except for the legal department; and data processing didn't “understand” that an existing report that summarized the desired information (and more) would do just fine!

Also recognize experts' limitations, and don't expect them to do everything. For example, most industries have trade associations or consultants that specialize in the industry. If your case needs market share data, maybe the expert isn't the best person to order it, perhaps at \$10,000 a pop. Ask the contact person to see if the client isn't already a member of the association or if the marketing

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department isn't already a subscriber to the required information. In any moderately sized organization the answer is almost always "yes"; the problem is finding someone who knows the answer.

### Local "Rules"

Is the strike zone in Dodger Stadium different from the one down the street in Anaheim? You bet it is. Each case has differences that should be discussed with your expert. Some have to do with the venue, custom and practice in the area, or the court's traditional local rules. Other differences are specific to the case and may have been the subject of agreements or stipulation. Do you have an agreement with the other side that all notes will be preserved, or can your expert be free to discard first drafts and answered phone slips? Have the times and sequences of disclosure been set by the court or by stipulation, or do the Rule 26 default provisions apply? Has a deposition schedule been set?

These and many other tidbits must be shared with the expert, as with any other member of the team. Your expert is frequently like that last skater — you've seen it — to join the pinwheel. The skaters link arms and begin to spin. More skaters join and the arms of the pinwheel get longer. Finally there are two skaters left who must speed around the rink to join the rest. The schedule of the court, the schedule of the attorneys, the schedule of the client, the schedule of the fact witnesses are the skaters that form the pinwheel, and it is frequently the expert (after all, he's paid to do this) who is the last skater — and maybe he can't catch up. This last-minute dash can frequently be avoided if you discuss the local "rules," including the timetable, with your expert.

Another aspect of local practice is the way information is transmitted. In most jurisdictions, you can be sure that the deposition subpoena for your expert will call for all writings sent or received by the expert. Young associates often feel called upon to craft incredibly detailed transmittal letters to the expert, without fully understanding that a subpoena will follow as surely as sunrise. Make your life and that of your expert a little easier by sending brief transmittal letters, if you send anything at all, and don't let the associate explain the import of every shred of paper sent. Instead, rely on the frequent communications you are going to have with your expert to discuss the possible significance, and problems, of the documents transmitted.

### Use Your Expert Strategically

You hire your expert because of his or her expertise, so include your expert in at least some of the sessions where you discuss how to use that expertise. Particularly in smaller cases, there is a tendency to "stretch" the expert. Clearly your damages expert will have the ability to measure market penetration as a part of the measure of but-for sales. But in all but rare circumstances, your expert will have to make a separate study. It might be cheaper to locate an additional expert to opine on the market issue. In personal injury or wrongful termination cases, the damages expert can likely opine as to likelihood and level of mitigating employment. But the use of an employment expert, or a vocational rehabilitation expert, can establish the predicate for that portion of the damages expert's opinion — and it gives you the opportunity to tell that part of your story twice.

The use of your expert to assist with opposing experts extends

(Continued on page 6)

## Just Say "No" to Special Masters

Federal judges today are overworked and underpaid. It is thus only natural that they seek to lay off some of their case load on third parties where possible. Enter the appointment of a special master. Under F.R.C.P. 53(b) the court may appoint a special master to assist it in making its determination of certain issues in a case. Typical uses of special masters include, but are not limited to, matters involving complex accounting issues; and matters involving highly technical facts, for example computer software and patent cases.

"Rule 53 specifically states reference to a special master shall be the exception and not the rule...Accordingly, appointment of a special master is generally disfavored and is made only in rare cases." Schwarzer, Tashima & Wagstaffe, *Fed. Civ. Procedure Before Trial*, §§ 16:232 (1996). Nevertheless, federal and state judges are resorting more and more to the appointment of these masters under the guise of some exceptional circumstance.

The purpose of this article is to highlight the risks of appointing a special master and outline some strategies to prevent a special master from assuming complete responsibility for the case with its attendant expense and potential prejudice.

**Rule Number 1:** Never volunteer the appointment of a special master for any particular purpose. Once you give a judge the freedom to appoint a master, you have no control over the ultimate scope of the reference. If you believe a master would be helpful, discuss the subject with opposing counsel first and work out, in advance, a stipulation clearly articulating the limited duties of the master. If you cannot reach agreement with opposing counsel on this issue, do not do it!

**Rule Number 2:** If the court wants to appoint a special master, object. Special masters are expensive and will cost your client a lot of money. Unless your client's case has been assigned to one of our cherished "nightmare" judges, you may not want a special master making determinations about ultimate issues in your case.

**Rule Number 3:** If a judge insists upon appointing a special master over your objections, make absolutely sure that the special master has no relationship to the judge whatsoever. Judges typically like to appoint people they know, like other retired judges, former partners, law school classmates, etc. This could be a bad thing. Do you want the special master communicating *ex parte* with the judge at will, providing preliminary opinions, recommending the expansion of his or her duties, all without your knowledge? Just like FOB's (Friends of Bill Clinton), friends of the judge have instant access. They can and will call the judge to discuss the case out of your presence. You should insist that there be no *ex parte* communication between the special master and the judge.

Naive counsel "A" suggested that respected Judge "B" appoint special master "C" to analyze and report on a discrete accounting matter. Respected Judge "B" appoints friend, retired Judge "C." Judge "B" decides to broaden the scope of special master "C's" duties over the objection of naive counsel "A" who now regrets ever suggesting the appointment of a master in the first place.



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(Continued on page 6)

Special master "C" engages in many *ex parte* discussions with Judge "B" and convinces Judge "B" to even further expand the scope of the reference. Judge "B" approves special master's fees in excess of \$100,000 over objection of naive counsel "A" and authorizes special master to spend another \$100,000 or so addressing issues that are not even raised in any pleadings before the court.

As it turns out, unbeknownst to naive counsel "A", Judge "B" has appointed special master "C" in lots of other cases. Naive counsel "A's" only remedies are to ask the judge to certify an interlocutory appeal, 1292(b), seek a writ or wait until the end of the case to appeal. In the meantime, the special master is racking up huge fees your client may be required to pay. As well, because of special master "C's" access and friendship with Judge "B," your client may be hopelessly prejudiced by the special master's recommendations regarding ultimate issues in the case. Judge "B" will tell you he may make his own decision, but it will be hard for Judge "B" to ignore or contradict special master "C's" recommendations or findings.

Recently, the California Court of Appeal chastised Superior Court judges for appointing outside retired judges to act as discovery referees to be paid for by the parties. The court opined that it was unfair for taxpayers to pay twice for the privilege of utilizing public courts. Various federal circuits have expressed similar views. "The unnecessary appointment of a special master may amount to a denial of due process of law" held the court in *McGraw-Edison v. Central Transformer Corp.*, 308 F.2d 70, 73 (8th Cir. 1962). In *In re Bituminous Coal Operators Assn., Inc.*, 949 F.2d 1165, 1169 (D.C. 1991), the court emphasized that a district court judge has no discretion to impose a special master on parties against their will where the master acts as a "surrogate judge."

And, in *LaBay v. Howes Leather Company*, 352 U.S. 249, 256, 77 S.Ct. 309, 313 (1957), the Supreme Court upheld the vacating of an order of reference which "amounted to little less than an abdication of the judicial function" which impermissibly deprived the parties of a trial before the court on the core issues involved in the litigation.

In summary, special masters should be avoided whenever possible. More important, think long and hard before you recommend the appointment of a special master by the court. Finally, God help me if Judge "B" and special master "C" ever read this article!

—Larry C. Russ

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to both deposition and trial. In personal injury and wrongful termination cases, the real contest is in the liability phase, and the difference between the plaintiff's and defendant's damages experts is almost always in the assumptions used. The rest is merely a mathematical exercise, a present value calculation. Most experts will agree that if their assumptions change, the result will change (if they don't, they can be made to appear the fool).

In cases such as these, which frequently involve heart-rending stories where there has indisputably been serious damage, lawyers sometimes worry that the defendant will be perceived as making some form of admission if it puts on any damages testimony. The jury may well decide that the defendant is at least willing to pay the amount in the defense expert's opinion, letting that influence the predicate liability determination. The ultimate solution, of course, is to bifurcate the trial. Failing that, use your expert at deposition and trial to help you understand the plaintiff's assumptions and to present your assumptions to the plaintiff's expert. At the very least, plaintiff's expert will admit that if the assumptions change the result will change, even if he or she won't do the computations for you because they are "very complicated." The defense damages case then becomes one of presenting evidence as to why the alternative assumptions are more valid and the defense damages expert merely presents the calculations the plaintiff's expert admitted could be done, but couldn't do on the stand because they were "too complicated."

#### The Knowledge Pool

Once it is clear that the case will move forward and it is time for your experts to begin their analysis in earnest, take advantage of the pool of knowledge that is being created. It may be appropriate—subject to the risks of discoverability—to have at least one all-hands meeting so that you can coordinate the individual efforts of multiple experts. Can one expert leverage off the work of another? Will one expert see an opportunity (or impediment) in the work of another? Are the experts, viewing the same data, drawing contradictory (or even mutually exclusive) conclusions? Some counsel view such a meeting as the litigation equivalent of mixing fire and gasoline, while others are comfortable with the process. Whatever your approach, make sure that you and each of your experts understand enough about the roles and work of each so that redundant work is kept to a minimum and conflicts and opportunities are identified early. Ideally this process will take place before experts are disclosed because, once designated or identified, you run the risk that even a withdrawn expert may be the subject of discovery.

#### Until Now...

...it may have been that your typical experience with experts was best described 138 years ago:

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, ...

Charles Dickens, *A Tale of Two Cities*, (1859).

Perhaps the concepts and techniques presented here will make the next experience a little easier on you, on the client...and on the expert.

—Neill W. Freeman, C.P.A.

**Insurance**

The First District Court of Appeal held that Insurance Code Section 533 does not preclude insurance coverage for defense costs arising from claims of sexual discrimination at least where the subject policy purports to afford coverage for sexual discrimination. *Melugin v. Canada*, 96 Daily Journal D.A.R. 13,189 (Oct. 30, 1996). The court held that such defense costs could be insurable under California law because:

there could be some acts occurring in the working world which would constitute sexual discrimination in employment, but which would involve only unintentional, negligent conduct, for which coverage might exist. For instance, . . . there could be sex discrimination claims which did not result from intentional conduct and were only prosecuted on a 'disparate impact' theory, for which coverage would not necessarily be barred by section 533.

**Ex Parte Communications**

In *Jorgensen v. Taco Bell Corp.*, 96 Daily Journal D.A.R. 13,852 (Nov. 19, 1996), Taco Bell brought a motion to disqualify plaintiff's counsel because of its *ex parte* contact with Taco Bell employees without obtaining the prior consent of Taco Bell's counsel. The contact occurred seven months before plaintiff filed her sexual harassment suit against Taco Bell and one of its employees. The Court of Appeal held that the contact did not violate rule 2-100 of the California Rules of Professional Conduct because the persons being interviewed were not in fact known to be represented by counsel at the time of the interview.

**Expert Discovery**

In *St. Mary Medical Center v. Superior Court*, 96 Daily Journal D.A.R. 13,844 (Nov. 19, 1996), the Court of Appeal held that parties may be allowed to depose an expert who supplies a declaration in support of or in opposition to a motion for summary judgment where there is a legitimate question regarding the foundation of the expert's opinion even when the date of exchange of expert information has not yet occurred.

**Employment Law**

In *Fiol v. Doellstedt*, 96 Daily Journal D.A.R. 13,897 (Nov. 19, 1996), the Court of Appeal held that a supervisor who fails to take action to prevent sexual harassment of an employee is not personally liable as an aider and abettor of the harasser, an aider and abettor of the employer or an agent of the employer under the Fair Employment and Housing Act.

**Attorneys Fees**

Despite the fact that Code of Civil Procedure § 1717 provides that there is no prevailing party under that section where an action is voluntarily dismissed, a party may nevertheless recover attorneys' fees following a voluntary dismissal where there is a contractual attorneys' fee provision. In *Hosking v. Carrier Corporation*, 96 Daily Journal D.A.R. 14,110 (Nov. 25, 1996), the Court of Appeal held that Code of Civil Procedure § 1021 providing for recovery of contractual attorneys' fees is not limited by Code of Civil Procedure § 1717.

**Slapp Suits**

In *Linsco/Private Ledger, Inc. v. Investors Arbitration Services, Inc.*, 96 Daily Journal D.A.R. 14119 (Nov. 25, 1996), the First District Court of Appeal held that a challenge to a group of investors' non-legal representation at an arbitration hearing against their stockbrokers did not qualify as a SLAPP suit because disputes between investors and their stockbrokers over investment losses do not involve a public issue. This is the latest in a series of cases posing a conflict between the First District Court of Appeal and the Second District Court of Appeal, which has held the public issue requirement inapplicable to cases involving the right of petition (as opposed to the right of free expression). See *Church of Scientology v. Wollersheim*, 42 Cal.App.4th 650 (1996).



Denise M. Parga

**Insurance**

In *Century Indemnity Company v. Superior Court*, 96 Daily Journal D.A.R. 13,683 (Nov. 13, 1996), the Court of Appeal held that an insurance company's action against another insurance company to recoup a pro-rata share of defense costs expended by the first company in defense of their co-insured is governed by the two-year statute of limitations of Code of Civil Procedure § 339.

In *PPG Industries, Inc. v. Transamerica Insurance Company*, 96 Daily Journal D.A.R. 11,839 (September 26, 1996), the Court of Appeal held that punitive damages awarded against an insured in a third party action cannot be passed on to the insurer as consequential damages for breach of the duty to reasonably settle.

—Denise M. Parga

**Letter from the President**

*Continued from page 1*

1995 program on alternative fee arrangements and an upcoming program on new trends in relationships between clients and lawyers.

There has been strong resistance from our new colleagues in San Francisco and San Diego to varying from our traditional focus for our annual seminars. I would be interested to hear from you on whether you have other places to go for programming on the changing nature of law practice and whether you would like this organization to address such issues more often than once every few years.

Our mission clearly remains to enhance the capabilities of our members to be excellent business trial lawyers, at every stage of disputes, and to increase the effectiveness of our courts in dealing

with our clients' matters. Given that the legal marketplace has become enormously more competitive, with beauty contests and RFP's a way of life and hourly rates sometimes appearing to be an endangered species, do you want us to help you navigate the treacherous new waters?

One thing remains clear. In a very competitive world, ABTL does afford a safe harbor for collegiality among a gifted group of lawyers. When the discussion arose recently whether to focus our annual seminar in areas which might be more attractive to in-house lawyers, the most compelling argument not to do so was that having in-house lawyers present might create a more competitive and less collegial environment. The fact that this issue was a concern to the group speaks volumes about the importance of professionalism and collegiality to the ABTL.

I would appreciate your comments, by phone, note or e-mail.

—Karen Kaplowitz

## Probate Law for Business Litigators

**N**ow what?

It's one of those things that the best litigation strategist can't plan for — the death of a litigant. It can happen in any kind of case. As tempted as you might be to tell your client that her adversary's death won't make any difference, pause before you speak. While you may well be right, it's not quite that simple. Probate is an unknown country for most business litigators; don't go there without a map.

This article explains several fundamental probate concepts and makes a few practical suggestions, so that when you are confronted with the death of a litigant you'll have a better idea of what needs to be done.



Jeffrey M. Loeb

### What Is Probate?

Title to a decedent's property passes immediately upon death "by distribution" to testate beneficiaries or "by descent" to intestate heirs, subject to court-supervised administration called "probate." It ordinarily consists of the following steps: (1) notification of a decedent's death and of the probate administration process given to the public, named beneficiaries and fiduciaries, and known heirs

and creditors; (2) marshaling those assets which are subject to probate, keeping in mind that assets which are held in a trust, held in joint tenancy, pass by an independent beneficiary designation form, or were given away prior to death are not ordinarily subject to probate; (3) paying expenses of probate administration, including statutory and extraordinary commissions to the personal representative and statutory and extraordinary fees to the personal representative's attorneys; (4) paying federal, state, and local income taxes, both personal and fiduciary; (5) paying federal and state death taxes; (6) paying debts of the decedent and the estate; and (7) distributing the decedent's assets. Your client's claim against the decedent becomes part of this process.

### How Is Probate Started?

Probate proceedings may be commenced by any person having an interest in the decedent's estate, including a creditor. A Petition for Probate must be filed, and notice must be served on all interested parties and published. Publication is required because probate proceedings are *in rem*.

*Practice Tip:* Where no probate proceedings are commenced for the estate of your client's deceased debtor, it may be because the decedent's family has been advised not to do so in order to avoid having to give notice of the decedent's death to his creditors. The family's hope is that the statute of limitations will expire before the creditor takes any action to preserve his claim. However, your client has standing to commence a probate proceeding, and she can do so even if she has no idea whether the decedent had a will. Normally, a creditor's threat to file this petition will motivate the family to file the petition itself in order to ensure that they control probate administration and not the creditor.

### What Are "Debts" of a Decedent?

A debt of a decedent includes obligations owed to third parties, such as your client. It is particularly important to note that decedent's debts include disputed and contingent obligations, obliga-

tions not yet due, and even obligations not yet ascertainable. This broad concept extends to such remote obligations as guaranties on debts that are not yet even due or in default.

### Who Determines If a Disputed Debt Will Be Litigated, Compromised, or Paid?

A decedent who dies with a valid will is said to have died "testate." The fiduciary named in a will is the "executor." Upon appointment by the probate court, an executor is issued Letters Testamentary. If the will names no executors or if none of those named is available to act, the court appoints an "administrator with will annexed," also referred to as an "administrator c.t.a." (for "*cum testamento annexo*"). The administrator c.t.a. is issued Letters of Administration upon appointment by the court. Where no will is admitted to probate — because the decedent died "intestate," i.e., without a will — the fiduciary is called an "administrator" and is also issued Letters of Administration.

These fiduciaries are all referred to as a "general personal representative" because they have plenary authority over the estate, including the power to settle, defend, pursue, and satisfy claims and debts of the decedent.

Personal representatives may be granted powers under the Independent Administration of Estates Act (IAEA). With IAEA authority, a personal representative may exercise a considerable number of powers without first obtaining court approval and, in certain instances, without giving notice to any of the parties interested in the probate proceedings. Use of IAEA powers, such as the power to allow, settle, and pay debts of the decedent without giving notice of the proposed action, can expedite the administration of a decedent's estate considerably.

### What Do You Need to Do If Your Client Has a Claim Against a Decedent?

In order to preserve a claim, a decedent's creditor must file a "creditor's claim" using a Judicial Council form, and must serve a copy on the personal representative of a decedent's estate.

*Practice Tip:* If the decedent was the guarantor of another's obligation, even though that obligation was not yet in default at the time of the decedent's death, the beneficiary of the guaranty becomes a contingent creditor of the decedent's estate and must preserve his claim by filing a contingent creditor's claim.

Creditors claims may be allowed or rejected, in whole or in part, by the personal representative. The personal representative mails the creditor notice of the action taken on her claim.

*Practice Tip:* In filing a claim, provide sufficient information (you can use an attachment) to permit the personal representative to allow your claim in full without the need to seek additional information. If the personal representative takes no action within thirty days after the creditor files the claim, the creditor may deem the claim rejected and proceed to file a civil action.

To the extent all or any portion of the claim is rejected, the creditor has three months from the date notice is mailed within which to file a civil action on a rejected creditor's claim, or have the matter referred to a referee or to arbitration. Where the claim was due at the time notice is given, the three-month period begins to run immediately. However, where it was not due at that time, the three-month period begins to run on the date the claim becomes due. In such an action or referral, the issue is simply the decedent's liability on the debt.

### Is There a Time Limit on Claims Against a Decedent's Estate?

California and federal due process requirements obligate a personal representative of a decedent's estate to provide notice to all known and reasonably ascertainable creditors of the decedent. Creditors have until (1) four months following the date upon which Letters Testamentary or Letters of Administration were issued to a general personal representative or (2) 30 days after

(Continued next page)

the date upon which notice to creditors was mailed if it was mailed less than 30 days before the expiration of the four-month period, whichever occurs later.

If notice to creditors is sent after the expiration of the four-month period, creditors who knew nothing about the probate proceeding previously or who did not know they had a claim must petition the probate court for leave to file a late claim. Without such leave, no creditor's claim may be allowed by the personal representative.

The statute of limitations on claims by or against a decedent's estate is extended or shortened, as the case may be, to one year following the date of the decedent's death, provided the statute had not expired prior to his or her date of death. This alteration of the normal statutory period is designed to provide additional time to a personal representative where a statute is about to run on claims by the decedent and to facilitate the prompt presentation of claims against a decedent's estate so as to further the public policy of expediting the distribution and descent of wealth.

#### **What If You Don't Comply with All Requirements for Pursuing Or Preserving Claims?**

Except as discussed below, no civil action can be maintained against the personal representative of a decedent's estate on a debt owed by the decedent unless a creditor's claim is first presented to the personal representative and rejected expressly or deemed rejected. Claims not presented within these time limits are forever barred and a personal representative has no authority to allow a barred claim. There is an exception to this rule for a secured creditor who wishes to waive any claim against the decedent's estate upon a deficiency. In this circumstance, the secured creditor may proceed against the security alone without first filing a creditor's claim in the estate proceedings.

#### **What Effect Does Death Have Upon Causes of Action by Or Against a Decedent?**

Except where otherwise provided by statute, a decedent's cause of action against a third party is not lost by reason of his death. The decedent's personal representative, or successor-in-interest where there is no personal representative, may commence the action on behalf of the decedent's estate or may continue an action that was pending at the decedent's death by filing a motion to substitute in as plaintiff. The personal representative or successor-in-interest may recover damages for all losses sustained by the decedent prior to death, excluding damages for pain, suffering, or disfigurement but including punitive damages.

Where an action was pending against a decedent at the time of her death and the action does not abate by reason of death, the plaintiff may by motion filed in the action substitute the personal representative of the decedent's estate in as defendant, but only after complying with the creditor's claims provisions including the requirement that a claim first be rejected or deemed rejected. All damages that might have been recoverable against the decedent had she lived may be recovered, except punitive damages are not recoverable.

A wrongful death action may be maintained by a decedent's heirs or other dependents in order to recover for the losses they may have sustained as a result of the decedent's death. A personal representative may file a wrongful death action but does so only on behalf of the decedent's heirs and other dependents and not on behalf of the estate. Damages that are recoverable may not include those recoverable in a survival action brought on behalf of the decedent's estate. Punitive damages generally are not recoverable.

#### **How Do Debts Get Paid?**

The Probate Code establishes a priority list for payment of "debts," which is defined to include creditors' claims, expenses of

(Continued on page 11)

## **Insurance Coverage for Trademark and Trade Dress Infringement**

**A**fter reconsidering its previous decision, including considering *amicus curie* briefs on both sides, the California Court of Appeal recently decided that an insurance company is required to defend its insured against a claim for trademark infringement under the advertising injury coverage of its insured's policy. *Lebas Fashion Imports of USA v. ITT Hartford Insurance Group* ("Lebas"), 96 Daily Journal D.A.R. 13120 (October 31, 1996). The next week, the Sixth Circuit reversed a Federal District Court decision that agreed with the *Lebas* court, and decided (under Michigan law) that an insurance company does not owe a duty to defend its insured against claims for trademark or trade dress infringement under identical coverage language. *Advance Watch Company, Ltd. v. Kemper National Insurance Company* ("Advance Watch"), 1996 U.S. App. Lexis 28757 (6th Cir. 1996). After reviewing the *Advance Watch* decision, the California court modified its *Lebas* decision to reject the Sixth Circuit's analysis because it found that the Sixth Circuit had improperly examined the disputed policy language through the eyes of an attorney or insurance expert rather than through a layperson's eyes. See 96 Daily Journal D.A.R. 14311 (December 2, 1996). (On December 6, 1996, ITT Hartford Insurance Company filed a petition for review of *Lebas*. The California Supreme Court had not acted on this petition as of the writing of this article.)



**Bruce A. Friedman**

Whether an insurer is required to defend its insured against a claim for trademark or trade dress infringement is potentially vital to business clients in all industries. Because almost every business that advertises, or even sells, a product is at risk of being accused of infringing on its competitors' trademarks or trade dress in the course of "advertising" the product, insurance coverage, at least for the expenses of defending such allegations, may be an essential asset for a business to maintain. This is especially true with respect to a small business, which could be fatally disrupted by a suit for trademark or trade dress infringement, even if unfounded. Accordingly, whether the law provides such coverage under current standard general liability policy language is an issue of great concern.

#### **The Duty to Defend**

Insureds are generally well-served by the rules that define an insurer's duty to defend. It is well established under California insurance law that an insurer must defend its insured in any action that *potentially* seeks damages within the coverage of the insured's policy. *Montrose Chemical Corp. v. Superior Court*, 6 Cal.4th 287, 299-300 (1993). Thus, an insurer's duty to defend arises whenever the insurer may ultimately be required to indemnify the insured for damages caused by the alleged conduct. The purpose of this broad duty to defend is to provide the insured with the "full protection of a defense on its behalf," which is typically "as significant a motive for the purchase of insurance as is the wish to obtain indemnification for possible liability." *Id.* at 295-296. In the context of claims for trademark and trade dress

(Continued on page 10)

infringement especially, where claims often settle for little or no monetary payment, insurance primarily serves to fund the costs of a defense from such claims.

Whether a claim may seek damages within the coverage of a policy, and therefore give rise to the insurer's duty to defend under that policy, is determined by examining the unambiguous language of the policy, if possible. On the other hand, where the meaning of a policy term is ambiguous, it must be resolved in favor of the "objectively reasonable expectations of the insured." *Bank of the West v. Superior Court*, 2 Cal.4th 1254, 1265 (1992). This provides the insured with the coverage that it reasonably expects it has based on the language of the policy. If this rule of interpretation does not resolve the ambiguity, then "[a]ny doubt as to whether the facts give rise to a duty to defend is resolved in the insured's favor." *Horace Mann Insurance Co. v. Barbara B.*, 4 Cal.4th 1076, 1081 (1993).



Jeffrey H. Mintz

The Michigan rules in this area are similar. In fact, Michigan law requires that an ambiguous term automatically be construed in the light most favorable to the insured — which makes a finding of potential coverage even more likely, to the insured's benefit. See *Advance Watch* at \*10-12. Accordingly, the dramatically different results in *Lebas* and *Advance Watch* cannot be explained by differing state laws.

#### The Policy Language

At issue in *Lebas*, *Advance Watch* and the other cases addressing an insurer's duty to defend claims for trademark and trade dress infringement is the standard Commercial General Liability insurance form issued by the Insurance Services Office ("ISO"), which defines "advertising injury" as follows:

Injury arising out of one or more of the following offenses:

- a. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
- b. Oral or written publication of material that violates a person's right of privacy;
- c. Misappropriation of advertising ideas or style of doing business; or
- d. Infringement of copyright, title or slogan.

Before *Lebas* and *Advance Watch* analyzed whether this claims for trademark and trade dress infringement are potentially covered by this policy language, several Federal District Court decisions held that claims for trademark and trade dress infringement are potentially covered by either or both of the third "offense" (the "misappropriation offense") and fourth "offense" (the "infringement offense") described by the policy. See, e.g., *Dogloo, Inc. v. Northern Insurance Company of New York*, 907 F.Supp. 1383 (C.D. Cal. 1995); *American Economy Insurance Company v. Reboans, Inc.*, 900 F.Supp. 1246 (N.D. Cal. 1994); *Union Insurance Co. v. The Knife Co., Inc.*, 897 F.Supp. 1213 (W.D. Ark. 1995); *Poof Toy Products, Inc. v. United States Fidelity & Guaranty Company*, 891 F.Supp. 1228 (E.D. Mich. 1995); *Nortek, Inc. v. Liberty Mutual Insurance Company*, 858 F.Supp. 1231 (D.R.I. 1994); *J.A. Brundage Plumbing v. Massachusetts Bay Insurance Co.*, 818 F.Supp. 553 (W.D.N.Y. 1993) *vacated after settlement* 153 F.R.D. 36 (W.D.N.Y. 1994). All of these earlier cases held that the insurer is required to defend its insured against claims for trademark or trade dress infringement under the advertising injury coverage of the insured's policy.

With these non-controlling cases as background, Justice Croskey's *Lebas* decision takes a methodical, step-by-step approach to analyzing the advertising injury coverage, and determining whether, under the applicable rules of insurance policy interpretation, an insurer has a duty to defend its insured against claims of trademark infringement under this coverage. Beginning with the background considerations of the scope of the duty to defend, and general principals of what constitutes trademark infringement, the Court creates a strong foundation for its ultimate conclusion that the language of the misappropriation offense is ambiguous, and that the insured's objectively-reasonable expectation of coverage imposes a duty to defend on the insurer.

The claim that resulted in *Lebas*' suit against ITT Hartford Insurance Group ("Hartford") was brought by a French company that claimed *Lebas* had advertised and sold its goods under the names DRAKKAR and DRAKKAR NOIR, which were trademarks allegedly owned by the French company. After Hartford refused to defend *Lebas*, *Lebas* settled the underlying action and brought its claim for breach of contract and bad faith refusal to defend. The trial court granted Hartford's summary judgment motion.

After discussing general principals regarding the duty to defend, the *Lebas* court notes that "as the trademark statute itself makes clear, the *advertising* of a good or service is one of the ways in which an act of infringement can occur." *Lebas*, at 13122 (emphasis in original). The Court contrasts trademark claims to claims for patent infringement. Reported case law uniformly holds that claims for patent infringement are not covered by the advertising injury coverage at issue here because patent infringement, unlike trademark (and trade dress) infringement occurs in the course of manufacturing a product, not in the course of advertising or selling it.

Applying the rules that define an insurer's duty to defend to the trademark infringement case before it, the *Lebas* court found that the terms "misappropriation," "advertising ideas" and "style of doing business" do not have a "single, plain and clear meaning." *Id.* at 13123. In fact, looking at the policy language through the eyes of a layperson, the Court rejected the insurer's argument that the misappropriation offense unambiguously referred only to the common law tort of misappropriation, and could not apply to claims of trademark infringement. The Court found that it is equally reasonable to interpret the term "misappropriation" as "to take wrongfully," and therefore that the misappropriation offense is ambiguous. *Lebas* at 13124. The *Lebas* court thus concluded that "we have little doubt that a layman would most probably not arrive at that conclusion [that misappropriation means only the common law tort] at all, but rather would give the word its common and ordinary meaning..." *Lebas*, at 13123, n.8.

This is where the *Advance Watch* court, which addressed an almost-identical factual situation, misapplies the applicable rule, and reaches the wrong result. While recognizing that Michigan law requires that terms of an insurance policy be construed according to their common meaning, the court simply ignores this rule in its analysis:

A layperson might at first glance read the term [misappropriation of advertising ideas or style of doing business] so broadly as to include in its scope trademark and trade dress infringement and a good deal of other conduct of the general nature of taking something which belongs to another. Such a reading however, would expand the meaning of the term to the extent of not having any meaning at all, and would lead to the absurd result of providing coverage for liability for trademark infringement without any mention of the word "trademark." It would necessarily lead to the conclusion in the present action that the design and appearance of an object offered for sale can reasonably be called an advertising idea or a style of doing business.

*Advance Watch* at \*26.

(Continued on next page)

## Insurance Coverage for Trademark

Continued from page 10

Few, if any, laypeople would undertake the analysis suggested by the Sixth Circuit. In fact, the admission that "A layperson might at first glance read the term so broadly as to include in its scope trademark and trade dress infringement" is very telling. If a non-attorney would believe, upon first reading the terms of his or her policy, that claims for trademark and trade dress infringement are covered, then the rules require the conclusion that the claims are covered unless the *unambiguous* language of the policy excludes them. But, the fact that none of the terms "misappropriation," "advertising idea" or "style of doing business" is defined strongly suggests that the phrase is at least ambiguous. Moreover, the Sixth Circuit's admission that a layperson would read the misappropriation offense to cover claims for trademark and trade dress infringement demonstrates that there is more than one reasonable interpretation of the coverage language.

The *Advance Watch* court is wrong in suggesting that there is something disturbing about finding coverage for trademark infringement without the use of the word "trademark." Coverage under an insurance policy, and especially the duty to defend, is not based solely upon how the insurance company describes the covered offenses. Rather, the facts of each case, when considered in light of the policy language, determine whether the particular claims are covered. And, absent an *exclusion* for trademark or trade dress infringement, which the insurers could have inserted into the policy that they drafted, such claims cannot be *automatically* excluded because they are not specifically enumerated offenses.

Moreover, advertisers would certainly disagree that it is "absurd" that the design and appearance of a product can reasonably be called an advertising idea or a style of doing business. In fact, recognizing that "advertising idea" and "style of doing business" are not defined by the policy, laypeople would likely agree that the Nike "swoosh," for example, is an advertising idea that is part of the appearance of Nike's shoes; the same is true of McDonald's old BigMac commercials, which define the contents of the product as part of its advertising. (Anyone who recalls those commercials knows that a BigMac is "two all beef patties, special sauce, lettuce, cheese, pickles, onions on a sesame-seed bun.")

The *Advance Watch* court tries so hard to avoid finding potential coverage for claims of trademark and trade dress infringement, that soon after it recognizes the rule that it must construe the words of the policy "according to their commonly understood meanings," it ignores that rule to reach the following conclusion:

In the present action, we conclude that the reasonable expectation of these parties as to coverage rests on the fact that "misappropriation of advertising ideas or style of doing business" refers to a grouping of actionable conduct fairly well delimited by case law, and does not refer to another, distinct grouping of actionable conduct which has come to be commonly referred to in case law and in legal treatises as "trademark and trade dress infringement."

*Advance Watch* at \*27.

It is fanciful to believe that the reasonable expectations of *any* layperson would consider a distinction between groupings of conduct delimited by *case law*. The *Advance Watch* court reaches its decision based, not on a common understanding of the phrase "misappropriation of advertising ideas or style of doing business," but rather on a highly-technical, legalistic reading of this language.

Returning to *Lebas*, in finding the misappropriation offense to be ambiguous, the California court construed the terms of the insurance policy as the rules require — pursuant to the understanding of a layperson. Accordingly, it is likely that this case, and not *Advance Watch*, will provide the paradigm that future cases in this area will follow.

### Trade Dress

While often treated together with trademark infringement in the context of insurance coverage and the duty to defend, claims for

trade dress infringement have an even greater claim for inclusion under the advertising injury coverage of insurance policies. In fact, at least one case states (in dicta) that "style of doing business" expresses essentially the same meaning as the more common term "trade dress." See *St. Paul Fire and Marine v. Advanced Interventional*, 824 F.Supp. 583 (E.D.Va. 1993) *aff'd* 21 F.3d 424 (4th Cir. 1994). In *Lebas*, which did not include a claim for trade dress infringement in the underlying action, the insurer argued that "misappropriation of a 'style of doing business' as that term is used in its policy, refers solely to a company's *manner* of operating its business or, to put it simply, its 'trade dress.'" *Lebas* at 13122. Thus, at least some insurers recognize that the advertising injury coverage of their policies covers claims for trade dress infringement. In *Advance Watch*, the parties agreed that "there is no functional distinction between trademarks and trade dress for the purposes of this litigation." *Advance Watch* at \*14. Therefore, the court did not address the differences between them.

### Conclusion

Despite the split in the reported decisional law created by the Sixth Circuit's decision in *Advance Watch*, at least in California, under the proper factual circumstances, claims of trademark and trade dress infringement should be covered under the advertising injury coverage of insurance policies. Moreover, the uniformity of the law (other than *Advance Watch*), which holds that advertising injury coverage includes coverage for claims of trademark and trade dress infringement, and the internal inconsistencies of the *Advance Watch* decision, suggest that *Advance Watch* was wrongly decided, and will not be relied upon in the future.

—Bruce A. Friedman and Jeffrey H. Mintz

## Probate Law for Business Litigators

Continued from page 9

administration, and charges against the estate (e.g., taxes, expenses of last illness, and family allowance). In order, this priority list is as follows: (1) debts owed to the federal and state government, but only those which by law have preference and only to the extent of the preference required by such law; (2) obligations secured by a mortgage, deed of trust, or other lien, including a judgment lien, in the order of their priority, but only to the extent of the amount which may be paid out of the proceeds of the property subject to the lien; (3) expenses of administration, except that administration expenses reasonably related to the administration of property subject to a lien referred to in the preceding category have priority over the obligation secured by that lien; (4) funeral expenses; (5) expenses of last illness; (6) family allowances; (7) wage claims up to \$2,000 per employee of the decedent; and (8) general debts, including judgments not secured by a lien, deficiencies on secured debts, and other debts not included in a prior category.

Except where claims are allowed and paid through the use of IAEA powers, claims which are allowed, or those which are established by judgment against the personal representative, may be paid only upon approval by the court after notice is given to all interested persons. In those probates where it is uncertain that there will be sufficient assets to pay higher priority debts, a personal representative may be reluctant to seek court authorization to pay debts until such time as this may be done without risk of personal liability for the payment of taxes and expenses of administration.

### How Can a Creditor

#### Be Kept Apprised of the Progress of Probate?

Once a probate proceeding has properly been commenced through publication, notices must be mailed to those persons specified by statute — ordinarily, beneficiaries and appointed

(Continued on page 12)

fiduciaries — and all persons who have filed a Request for Special Notice. This a written form filed in court demanding service by mail of papers filed in the proceedings.

*Practice Tip:* Always file a Request for Special Notice in probate proceedings in which your client is a creditor; without it, notice will not be mailed to you or your client.

### Are Probate Matters Decided in the Same Manner As Civil Matters?

Although probate courts are simply superior courts assigned specifically to handle probate matters, somewhat different procedures than those employed in civil matters govern the conduct of probate proceedings — and each county has slightly different procedures which are published either as part of the Local Rules or in a Probate Policy Memorandum. The terminology is different: Rather than using complaints, answers, and demurrers, probate uses petitions, objections, responses, and replies. Also, unlike civil cases, all of these must be signed and *verified* by your *client*. Law and discovery matters are handled in the same fashion as in civil actions. Indeed, the Probate Code provides expressly that, unless an inconsistent provision is found in the Probate Code, the Code of Civil Procedure governs in probate proceedings. In most jurisdictions, a court-employed probate attorney or probate examiner reviews calendared matters prior to the hearing date and makes his "notes" available for review. Probate judges do not generally hear and decide calendared matters unless the notes have been "cleared," or resolved, before the hearing.

*Practice Tip:* Allow sufficient time to clear the notes because you may need to file a supplemental pleading verified by your client that sets forth any missing information.

### What If Your Client Has a Claim Against a Trust?

In order to maintain privacy, avoid probate on death or avoid a conservator of the estate upon incapacity, many people create "revocable trusts," also referred to as "living trusts" or "family trusts." The persons creating the trust — usually husband and wife — are the "settlers" or "trustors." The fiduciary is called the "trustee"; this is usually the settlor during his lifetime.

Unlike the personal representative of a decedent's probate estate, the trustee holds legal title to the trust's assets. Beneficial or equitable title is held by the "beneficiaries," who typically are the settlers during their lifetimes followed by their issue upon the death of the last settlor to die. So long as the settlers are competent, they may amend or revoke the trust as often as desired.

### Can a Revocable Trust Be Used to Shield the Settlor From Personal Liability?

A trustee is not personally liable on a contract properly entered into in the trustee's fiduciary capacity in the course of administering the trust unless the trustee fails to disclose her representative capacity or identify the trust in the contract. A trustee is personally liable for obligations arising from the ownership or control of trust property and for torts committed in the course of trust administration, but only where the trustee is personally at fault.

Claims based upon a contract entered into by the trustee in his representative capacity, on an obligation arising from the ownership or control of trust property, or on a tort committed in the course of trust administration, are asserted by proceeding against the trustee in his representative capacity. However, the claimant's recovery is limited in these circumstances to the assets of the trust. Where personal fault of the trustee is established, the trustee's personal assets are liable.

The assets of a revocable trust are subject to the claims of creditors of the settlor to the extent that the settlor retained the power to revoke the trust during his or her lifetime. The assets of an irrevocable trust are not subject to the claims of creditors of the settlor absent a showing of a fraudulent conveyance.

### Satisfying a Judgment Creditor

A judgment creditor can satisfy the judgment out of a judgment debtor's beneficial interest in a decedent's estate or trust — but the judgment creditor is entitled only to the interest held by the beneficiary and in certain instances only to a portion of the interest otherwise distributable to the beneficiary.

\* \* \*

These are some of the main points of interest on your map of the unknown country of probate. Of course, every case has its own features that will require far more study when the unexpected death catches you by surprise. But hopefully this article will let you start off with some idea of where you're going.

— Jeffrey M. Loeb

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