ASSOCIATION OF BUSINESS TRIAL LAWYERS SAN DIEGO

abtl REPORT

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Korea Supply: A Little Help For UCL Defendants

By Erik S. Bliss, Esq. of Latham & Watkins LLP

The California Supreme Court's opinion in *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal. 4th 1134 (2003) states, in its first sentence, that it "addresses what claims and remedies may be pursued by a plaintiff who alleges a lost business opportunity due to the unfair business practices of a competitor." *Korea Supply*, 29 Cal. 4th at 1140. Its holding is broader than that, though, and significantly helpful to defendants in California's glut of cases under Business and Professions Code Section 17200 (also known as the "unfair competition law," or "UCL").

Erik S. Bliss

In the *Korea Supply* case, Korea (the country) solicited bids to buy certain military equipment. Korea Supply (the company) represented bidder MacDonald Dettwiler in the bid negotiations. The contract was awarded to a competing bidder, Lockheed Martin. Korea Supply believed that MacDonald's bid was lower and equipment was superior, and that Lockheed won the contract only by offering bribes and sexual favors to Korean officials. Had MacDonald won the contract, Korea Supply's commission would have been $30 million. Korea Supply sued Lockheed for unfair competition under Section 17200.

(See "Korea Supply" on page 10)

Settling Minds: A Conversation With Judge J. Michael Bollman

By Theresa Osterman Stevenson, Esq. of Wilson, Petty, Kosmo & Turner

As the only full-time settlement judge in San Diego County Superior Court, Judge J. Michael Bollman in Department 4 keeps a hectic calendar of approximately eight cases per day. To keep matters moving, he regularly works through lunch and stays when necessary into the evening to finalize and enter settlements on the record. He's had this full-time settlement calendar for nearly 3 1/2 years, but has been on the Superior Court bench since 1992. Before that, Judge Bollman served on the Municipal Court from 1985 to 1992 after 20 years of private civil litigation practice. His success rate is high;

Hon. J. Michael Bollman

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Inside

President's Column

by Hon. J. Richard Haden

In May, Supreme Court Justice Carlos Moreno spoke to us on "an insider's view of the California Supreme Court." While his talk was enjoyable and informative, I especially appreciated his willingness to meet so many of our members both before and after the presentation. Justice Moreno is a former Los Angeles ABTL Board member and we look forward to seeing him at future events.

Hon. J. Richard Haden

Our second ABTL/Litigation Section 'Brown Bag Lunch with a Judge' was in June with Judge Janice Sammartino. It was my pleasure to host the first. Judge Sammartino and I really enjoyed our conversation with two dozen mainly younger members of ABTL and the Litigation Section. Charles Berwanger plans more of these in the future.

Our Fall Program lineup is outstanding thanks to Program Chair Robin Wofford. In September, distinguished trial attorney and longtime friend of ABTL Jim Brosnahan will speak to us. You may have noticed him recently on the cover of the "California Lawyer." In October, an I.C. Judges' Panel chaired by our Presiding Judge Rick Strauss will share the latest developments in the Superior Court civil departments.

Also in October is our 30th annual seminar "Trying the Business Punitive Damages Case" at the beautiful Tamaya Resort in New Mexico. Special guest participants include New Mexico governor Bill Richardson, Congresswomen Loretta and Linda Sanchez, and California Supreme Court Justice Ming Chin. Our local representatives for the seminar are Ed Gergosian and Judge Ron Prager. This should be a memorable event and we expect a big San Diego contingent.

Our December meeting is traditionally one geared for spouses and older children as well. This year we'll meet "John and Abagail Adams."

As my year as president nears the halfway mark I continue to appreciate the incredible efforts of our fine Executive Board, ABTL Report Editor John Brooks, Program Chair Robin Wofford, and Membership Chair Dana Dunwoody. You will be hearing from Dana soon because we are concentrating on membership this fall. Please take a moment to recruit a new member or invite a prospective member to one of our great programs. All of us on the Board look forward to seeing you at our next meeting. Δ

ABTL'S ALL STAR LINEUP FOR 2003

In accordance with past tradition, ABTL has another spectacular lineup of programs for the remainder of 2003. Be sure to mark your calendar and don't miss these "must see" programs and events.

September 8, 2003
Jim Brosnahan
Renowned trial lawyer

October 17 - 19, 2003
30th Annual Seminar
"Trying the Business Punitive Damage Case"
Tamaya Resort & Spa
Santa Ana Pueblo, New Mexico

October 28, 2003:
IC Judges Panel
Hear what's happening
in their courtrooms and more!

November 1, 2003
Red Bourdreau/Broderick
Award Dinner
Manchester Grand Hyatt
ABTL Co-sponsor

December 8, 2003
"An Evening With John and Abigail Adams"
Certain to be a historic night.
Bring the family!

Proving a Mark Is Generic Under the Lanham Act: What Are the Consequences?

By Allen B. Grodsky, Esq. of Grodsky & Olecki LLP

Trademarks are "classified along a conceptual spectrum of increasing inherent distinctiveness." *Go-To.com, Inc. v. The Walt Disney Co.*, 202 F.3d 1199, 1207 (9th Cir. 2000). From weakest to strongest, courts categorize marks as generic, descriptive, suggestive, and arbitrary or fanciful. *Id*. This article focuses on the weakest - the generic mark. Virtually all lawyers are familiar with the term generic as applied to trademarks, but few understand precisely how courts determine what is and is not generic and what it means if a mark is found to be generic.

This article will discuss the Ninth Circuit's test for genericness and show how it is applied to specific marks. The article will then examine the consequences of a finding that a mark is generic, and show how a holder of a generic mark may still assert a claim under the Lanham Act.

The Test of Genericness

The test for genericness is fairly straightforward: "A 'generic' term is one that refers, or has come to be understood as referring, to the genus of which the particular product or service is a species." *Filipino Yellow Pages, Inc. v. Asian Journal Publications, Inc.*, 198 F.3d 1143, 1147 (9th Cir. 1999). Whether a trademark is generic "depends on the primary significance of the mark *to the relevant public*." *Films of Distinction, Inc. v. Allegro Film Productions, Inc.*, 12 F.Supp.2d 1068, 1075 (C.D. Cal. 1998) (emphasis added). The issue of genericness is a question of fact. *Committee for Idaho's High Desert, Inc., v. Yost*, 92 F.3d 814 (9th Cir. 1996).

Another way of phrasing the test is whether it is "difficult to imagine another term of reasonable conciseness and clarity by which the public [could] refer" to these goods and services and their producer." See *Committee For Idaho's High Desert*, 92 F.3d at 822, quoting, *Blinded Veterans Ass'n. V. Blinded American Veterans Foundation*, 872 F.2d 1035, 1041 (D.C. Cir. 1989). If the Court can imagine another way to describe the goods and services in a reasonably concise way, then the marks are not generic.

In making the determination of whether a mark is generic, many courts follow the test set forth by Judge Learned Hand:

> "What do the buyers understand by the word for whose use the parties are contending?" If buyers take the word to refer only to a particular producer's goods or services, it is not generic. But if the word is identified with all such goods and services, regardless of their suppliers, it is generic and so not a valid mark.

Surgicenters of America, Inc. v. Medical Dental Surgeries Co., 601 F.2d 1011, 1016 (9th Cir. 1979), citing, *Bayer Co. v. United Drug Co.*, 272 F. 505, 509 (S.D.N.Y. 1921).

In determining whether a mark is generic, the Court must look at the mark "as a whole, rather than looking at its constituent parts individually." *Committee for Idaho's High Desert*, 92 F.3d at 821. Thus, in *Committee for Idaho's High Desert*, the Ninth Circuit held that it made no difference whether the "Committee" or "Idaho's High Desert" are generic. What matters is whether the complete term "Committee for Idaho's High Desert" is generic.

Furthermore, the Ninth Circuit has held that dictionary definitions are "not determinative." *Filipino Yellow Pages*, 198 F.3d at 1148, citing, *Surgicenters of America*, 601 F.2d at 1015 n.11. Nevertheless, dictionary definitions are "relevant and often persuasive in determining how a term is understood by the consuming public." *Id*.

The Genericness Test as Applied

Perhaps the best way to understand the genericness test is to see how courts apply it. In the following cases, courts found that the marks at issue were generic:

• *Surgicenters of America*, 601 F.2d at 1017: "Surgicenter" is held generic because evidence (including use of term by third-parties such as Department of Health, Education & Welfare,

(See "Lanham Act" on page 11)

A New Era of Lower Punitive Damages

By Monty A. McIntyre, Esq. of Seltzer Caplan McMahon Vitek

April 7, 2003 will either be a day of infamy or celebration. Why? That is the day the United States Supreme Court issued *State Farm Mutual Automobile Insurance v. Campbell*, __U.S.__, 123 S.Ct. 1513, 155 L.Ed.2d 585 (2003), which reversed a $145 million punitive damage award and changed the law of punitive damages in America, significantly limiting punitive damages under the Due Process Clause of the Fourteenth Amendment. After *Campbell*, punitive damages may be limited to four times the compensatory damages (with the likely ceiling being nine times the compensatory damages). As compensatory damages grow the punitive damage multiple will shrink, with the multiple likely being one times the damages for compensatory damages of $1 million or more.

Monty A. McIntyre

Campbell

Campbell was an insurance bad faith case against State Farm for its refusal to settle personal injury claims for the policy limits of $50,000, and its later refusal to pay the $185,849 verdict. During the bad faith trial, evidence was presented that State Farm's decision to try the case was a result of a company wide scheme to cap claim payouts. The jury awarded $2.6 million in compensatory damages and $145 million in punitive damages.

New Punitive Damage Limits

Justice Kennedy ruled the Due Process Clause prohibits the imposition of "grossly excessive or arbitrary punishments." He applied three guideposts established in *BMW of North America, Inc. v. Gore*, 517 U.S. 559, 575 (1996): (1) the degree of reprehensibility of the defendant's misconduct; (2) the disparity between the actual or potential harm suffered by the plaintiff and the punitive damages award; and (3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed in comparable cases. Under guidepost one the trial court erred in allowing evidence of State Farm's conduct in matters other than *Campbell*. A "defendant should be punished for the conduct that harmed the plaintiff, not for being an unsavory individual or business." Under guidepost two, "few awards exceeding a single-digit ratio between punitive and compensatory damages, to a significant degree, will satisfy due process." An award of "more than four times the amount of compensatory damages might be close to the line of constitutional impropriety." When compensatory damages are substantial (as Kennedy found to be true in *Campbell*), "then a lesser ratio, perhaps only equal to compensatory damages, can reach the outermost limit of the due process guarantee." Under guidepost three, the most relevant Utah civil sanction was "a $10,000 fine for an act of Fraud." The $145 million punitive damage award was reversed because the guideposts "likely would justify a punitive damages award at or near the amount of the compensatory damages."

The Future

Campbell will have an impact on every civil case in America where punitive damages can be awarded, affecting businesses and individuals on a massive scale. Some of *Campbell's* likely consequences are:

Lower Punitive Damage Awards:

The Single-Digit Multiplier: The single digit multiplier will likely invalidate state laws allowing punitive damages to be calculated by a defendant's net worth or profits. This will substantially reduce punitive damages. For example, a $100,000 compensatory damage award means punitive damages will likely be limited to $400,000 (with a likely ceiling of $900,000). Total damages would likely be $500,000 (with a likely $1 million upper limit). If the defendant had a net worth of $5 billion, under the net worth analysis,

(See "Punitive" on page 12)

Drafting and Enforcing Attorneys Fees Clauses

by William S. Garr, Esq. of Hahn & Hahn LLP

The last twenty-five years have seen remarkable changes in business litigation. Probably foremost among these is the fast pace and related increased expense of litigation. Whereas two decades ago, it was not uncommon to take up to five years to get to trial (and sometimes, with appropriate waivers by counsel, even longer), now, with the advent of "Fast Track" rules statewide, it is fair to say that most cases reach trial in about a year.

While the speed of litigation has changed, the complexity of the issues involved in many cases - and the time it takes to resolve them - has not. If anything, issues have become more difficult. Combined with escalating hourly rates and increased office overhead expenses, the cost of litigation has become critical. Contributing to the expense is the fast and furious pace of completing discovery, conducting depositions, engaging in law and motion practice, and making the all-important motion for summary judgment or summary adjudication of issues, all before a fast-approaching trial date. In today's business litigation world, clients are receiving higherattorneys' fees statements, sooner. As a result, the ability to recover attorneys' fees has become a serious issue, and in many cases, it is a determinative issue in deciding whether to file and proceed with litigation.

Attorneys Fees Clauses and Claims

While sometimes available by statute, the majority of business litigation cases resulting in attorneys' fees claims and recovery involve the pleading, prayer and proof of an effective attorneys' fees clause. If provided for in the contract, an attorneys' fees clause - properly drafted - can cover both contractual and related tort claims. The clause can also govern the extent of recovery, such as, for example, the "actual" amounts incurred, not just a reasonable amount. A problem arises when, as is typical, the lawyer litigating the case is not the same lawyer who drafted the attorneys' fees provision. Put another way, the corporate lawyer drafting the attorneys' fees clause more often than not never experiences how the courts interpret it. (In fact, it is probably a good idea to pass this issue of the ABTL Report on to your business and corporate law partners, so they can read this article.) Before drafting an attorneys' fees provision, the differences in state court vs. federal court enforcement of such clauses should be noted.

Differences in Enforcement - Federal vs. State Court

A. California Law

Under California law, parties may allocate the recovery of attorneys' fees by contract. See Cal. Civ. Proc. Code § 1021. If the recovery of attorneys' fees is provided for by contract, the prevailing party in an action may seek fees as an element of its post-trial costs. See Cal. Civ. Code §1717 and Cal. Civ. Proc. Code §1033.5(a)(10)(A). Moreover, California law now also provides for the recovery of contractual attorneys' fees after trial when enforcing a judgment. See Cal. Civ. Proc. Code §685.040.

If broad enough, a contractual attorneys' fees clause may also cover tort claims related to the contractual dispute. *Allstate Insurance Co. v. Loo*, 46 Cal.App. 4th 1794 (1996) (holding that the language "any lawsuit or other legal proceeding" to which "this agreement gives rise" was broad enough to encompass tort claims); and *Lerner v. Ward*, 13 Cal.App. 4th 155 (1993) (fees recoverable on contractual claims as well as for fraud claims). Importantly, California law also provides that attorneys' fees provisions are, in fact, to be read broadly and are to be liberally construed. *Pacific Custom Pools, Inc. v. Turner Construction Co.*, 79 Cal.App. 4th 1254 (2000) (language provided for fee recovery if a specified party succeeded in defending against a claim; court held that recovery should be had when that party successfully "prosecuted" its claim). See also Cal. Civ. Proc. Code § 1032.

The foregoing ability to contract out of the

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approximately 80% of the cases before him settle at the conference. Now that the San Diego County Superior Court's Pilot Mediation Project has fallen victim to the State's budget cuts, the Superior Court's Settlement Program has seen an approximate 10% increase in caseload. Judge Bollman shares some of his tips and thoughts for trial lawyers considering a settlement conference.

Is there a fee to the litigants for participating in the Superior Court Settlement Program? What are the prerequisites?

There is no fee to the litigants and no prerequisites other than that the civil case is pending in Superior Court. Participation is either voluntary or court ordered, but mostly voluntary. My sense is that most judges don't order people to come here. That would be fairly rare. It might occur where the parties are so close — for example one is at $70,000 and the other is at $65,000 — that they just need to be required to focus to resolve things, but usually they are here because they want to be, which is my preference.

I think most civil cases would benefit from going through some sort of alternate dispute resolution either in the court or outside of the system, whether arbitration, mediation, or settlement conference. Some cases generally do need to go outside the court system to really obtain maximum benefit. For example, a huge construction defect case with multiple parties and multiple issues. I don't have the same kind of time that a retired judge or experienced arbitrator would have to give that type of case what it may need to reach full settlement.

At what point in the litigation process do you think the parties should be considering coming to a settlement conference? Do you have too many cases coming in that are too close to trial, and what's the impact of that?

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It's hard to say. Each case is so different. Cases in my opinion have many windows of opportunity to settle. I usually like to see the parties as soon they realistically think that they are ready. Some cases have very few windows of opportunity. Some cases have many windows of opportunity. As a practical matter, because we are busy, we usually don't get to see people immediately. There are some occasions where someone calls and we have a cancellation so that they can come in the next day. There are occasions where a trial judge calls with the parties in his or her courtroom ready to discuss settlement. Like a local doctor who can see one more patient for a sick call, I will work them in. But the norm for setting a settlement conference is one to two months out.

When cases come in close to trial, there can be problems with settlement. Sometimes there's no tomorrow. I have no authority as a general rule to continue trials without the consent of the independent calendar judge. Some judges for good cause will allow a short continuance so that we can have a follow up settlement conference, but there's no guarantee. Settlement conferences shouldn't be set late in the process if the real reason for doing so is to hopefully delay trial.

How does the settlement process work in your department?

I generally have about eight cases a day. I have five to six come in the morning and set two in the afternoon. I initially meet with the lawyers, without the litigants, except if an insurance carrier is involved the adjuster is always present. I discuss with them the facts of the case and assure them I've read their briefs. I'm pretty familiar with them at that point and have taken notes. I am initially concerned about whether liability is admitted or not. If it's not admitted, I try to get a feel for what the percentage of liability would be, whether it's 50-50 in liability or some other amount; is there comparative fault or not, that type of analysis. Then I turn to an analysis of damages; whether there's documentation for the amounts claimed and whether they are reasonable.

Initially I bring the lawyers in to have them tell me if there's something they want to emphasize; something they didn't tell me in their brief that they think is significant and they want the other side to hear. Then I usually excuse the defense, talk to plaintiff's lawyer alone to get a sense of his or her client's demand and try to get a sense from them as to where they want to go. I tell the lawyer that either now or at some point in the process, I'm very agreeable to talk to their client with the attorney present. My preference is usually not to talk to the client early on, except as a short introduction, unless settlement talks gets stalled. Otherwise, I'd prefer to see what kinds of offers and demands have been made and keep the process moving.

I try to get the attorney for the plaintiff to make a demand. Then I talk to defense counsel, with the adjuster if there is one, to get a sense of where they're going and what they are willing to offer to settle the case. Then I call back the plaintiff, and we go from there with another demand, another offer, and so on.

I usually allow 30 minutes solely for the initial part of each settlement conference, and then the counsel are out talking and taking time to consider the demands and offers. Sometimes the adjuster needs to call the home office for more money and sometimes counsel needs to talk to the plaintiff or a lienholder. Once I've got the offer and demand process started for the first case, I usually bring in the counsel for the second case, then I may be back talking to the first case, on to the third case, back to the second case, etc. I've got a system and keep a score card so that I know where the offers and demands are for each case.

Do you approach settling business litigation cases any differently than personal injury cases? Is your success rate of settling business litigation cases any different?

In the broad sense, I really don't approach settlement any differently. I don't have a different success rate between business litigation and personal injury cases as a rule. The dynamics are sometimes different because the parties are not as emotionally involved as a general rule, although even business litigation cases at times have personality and emotions factor into settlement postures. There is a significant difference, however, between those business litigation cases where there's insurance coverage and those in which there is not. Without coverage, the parties are dealing with real dollars. In those cases, coun-

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sel for the parties need to spend a lot more time educating their clients about what the true cost of going to trial will be both for themselves and their employees; attorney's fees, company morale, time and business opportunity lost, etc. They need to be realistic with the client and set a litigation budget and understand the impact on the client's business, not just weigh the chance of a great verdict versus an adverse result. Where there's no insurance, I spend time educating the parties about how awfully expensive a trial can be so they are realistically factoring that in to their settlement decision.

What tips would you give attorneys coming to a Settlement Conference in your department and what are the biggest mistakes you've seen in a business litigation case?

The biggest mistake is not really being prepared. Many lawyers overlook the importance of preparing a good settlement brief. There really is a big difference between a one-page letter brief and a five to ten page brief with attachments. I allow three kinds of briefs: a confidential brief that is not shared with the other side, a non-confidential brief that is served on the other side, and a hybrid brief where portions are served on the other side and the remainder is confidential. I really encourage lawyers to prepare a good settlement brief with at least portions shared with the other side before the settlement conference. This does several things. First, it causes the lawyers to focus on their case and really assess the strengths and weaknesses of their facts and their legal position. Second, it psychologically gives them an edge in their settlement posture just because they are prepared. Third, it sends a message to counsel for their opponent that they have a strong case and that

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they are taking it seriously. It may also provide analysis of the law and facts that cause the other side to realize weaknesses or rethink their position if they haven't fully thought their case out. Finally, if the opponent's counsel has a client who has taken an unrealistic stance, the other side's brief may be used as a tool by that counsel to get his client to become more realistic. The brief may be just what the opponent's counsel needs to convince his client that the other side is bright, tough, has some good points, and that it will cost them a great deal of money to continue through trial. Business lawyers sometimes assume all the parties know the facts and issues and really don't put the time and effort they should into the settlement brief. They miss the opportunity to help their cause with the opposing side and their own client.

How much of a role do you play in determining the settlement value of a case?

I initially try not to be the person who sets a number for a lot of reasons, not the least of which is that the lawyers who have the case have probably lived with this case for 6 months to a year so they clearly should know their case better than I do. I don't hesitate, however, when I sense that somebody is way off the target to tell them that in my opinion it's highly unlikely a jury is going to award that amount of money. I'll ask them to think about it. Does somebody win the lottery? You bet. Could they hit the lottery? You bet. Is it likely? I don't think so. You're making a demand or an offer based as though you hit a grand slam home run in the bottom of the 9th inning. It isn't likely. You probably are not going to win on every point you raise. If in evaluating the case, you realize on a good day you would get $100,000, on an average day you would get $50,000, and on bad day you would get nothing, then it sounds to me like the case is in the $50,000 range for settlement. If you like to gamble, like to go to Las Vegas, like to take the long shot, fine. Then go for it. But if you like to play it safe, then you should try to settle.

One of the things some attorneys don't do is they don't have a realistic talk with their client regarding the costs that have been and will be incurred. They don't have a litigation budget. It is important for a plaintiff to know if there's an offer of $50,000 on the table, that to go to trial it's going to cost them maybe $10,000 to $20,000. There's going to be experts that charge $500 or more an hour, deposition costs, court reporter costs, jury fees, etc. The clients need to have an idea of what it's going to cost through trial because it doesn't make a lot of sense to spend $20,000 to try to get $25,000 more.

Trials are expensive financially and emotionally and they're time consuming. They can drag on for a long time. For example, in a business litigation matter a company might have to have 2 or 3 of its employees at trial and missing work. Being a witness and being in trial is stressful and sometimes life is too short. Sometimes I need to talk to the client; sometimes clients are unrealistic. There's a saying that minor surgery is surgery on everybody but you. A lot of people think their case is worth a lot of money, but there may be huge liability problems or the damages are actually small and the jury just isn't likely to buy it.

What are some of your secrets for breaking deadlocks?

Suggestions that I give to judges in a settlement conference course I teach at the California Judicial College are to discuss with each side (separately):

- The problems and/or weaknesses of their side of the case;
- The financial expenses of the trial;
- The emotional expense of a trial;
- The time away from job (lost business opportunity), family and/or the golf course;
- The risk of losing altogether or doing poorly;
- Life's too short. Maybe it's better to settle for what's on the table than go through the expense, risks, and inconvenience of a trial;
- If there's a lien, talk to the lienholder to see if they'll reduce the lien for payment of an immediate sum certain;
- The possibility of appeal with more delays, attorneys' fees and costs;
- What happens if their side does not beat the other side's CCP 998 offer;
- If a carrier is involved and unable to meet a reasonable demand, perhaps speak to the adjuster's supervisor via speakerphone with the adjuster and defense counsel present;
- Ask the litigants if they'd like to resolve the

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The Court "address[ed] whether disgorgement of profits allegedly obtained by means of an unfair business practice is an authorized remedy under the UCL where those profits are neither money taken from a plaintiff nor funds in which the plaintiff has an ownership interest." *Id*. (Korea Supply had not given Lockheed money — all of Lockheed's profits in the deal came from the country of Korea). The Court's answer was "no."

The *Korea Supply* opinion builds on the Court's decision in *Kraus v. Trinity Mgmt. Servs., Inc.*, 23 Cal. 4th 116, 137-39 (2000). "In *Kraus*, [the Court] held that disgorgement of unfairly obtained profits into a fluid recovery fund is not an available remedy in a representative action brought under the UCL." *Korea Supply*, 29 Cal. 4th at 1144. (According to the *Kraus* opinion, the question answered in that case was "whether, in an action that is not certified as a class action, but is brought on behalf of absent persons by a private party under the unfair competition law, the court may order disgorgement into a fluid recovery fund." *Kraus*, 23 Cal. 4th at 121 (citation omitted).) *Kraus* was a consumer/representative case; *Korea Supply* extended the prohibition on disgorgement to competitor/individual cases.

With *Kraus* and *Korea Supply*, the Court has clearly and unambiguously constrained the remedies available in a Section 17200 action: unless a class is certified, plaintiffs may collect only specific, identifiable amounts given to the defendant by identifiable persons (that gave those amounts on account of the defendant's unfair business practices) — that is, "restitution" of amounts paid by the plaintiffs, and not "disgorgement" of the defendant's profits. *See Kraus*, 23 Cal. 4th at 137-39; *Cortez v. Purolator Air Filtration Prods. Co.*, 23 Cal. 4th 163, 173-78 (2000). The Court found that the language and intent of the UCL do not support a nonrestitutionary monetary remedy. *See Korea Supply*, 29 Cal. 4th at 1152.

As in *Kraus*, the Court showed concern for constitutional issues implicated by the plaintiff's claim for relief. "While restitution is limited to restoring money or property to direct victims of an unfair practice, a potentially unlimited number of individual plaintiffs could recover nonrestitutionary disgorgement. Allowing such a remedy would expose defendants to multiple suits and the risk of duplicative liability without the traditional limitations on standing." *Korea Supply*, 29 Cal. 4th at 1151.

The primary threat to defendants in many UCL actions is four years' worth of money from millions of California consumers; *Kraus* and *Korea Supply* diminish, if not eliminate, that threat in most cases. Without the possibility of an apocalyptic monetary result, a UCL plaintiff loses much of his settlement leverage. Retail and other consumer-related defendants — the target of a large proportion of Section 17200 actions — benefit particularly, in that most such businesses have no consistent records of sales transactions that identify customers. The only practical way to collect large amounts of money in a case against a UCL defendant may now be to certify a class, which is a burden (and a loss of settlement control) that many UCL plaintiffs do not want to bear.

Other restrictions on UCL monetary relief work to further help defendants. For example, the Court of Appeal stated, in *Day v. AT&T Corp.*, 63 Cal. App. 4th 325 (1998), that where a victim of an unfair business practice receives equivalent value for what he paid, he "has given up nothing, regardless of whether he or she was improperly induced to purchase . . . in the first place," and is not entitled to restitution. *Day*, 63 Cal. App. 4th at 340. So, in certain circumstances, the few identifiable UCL plaintiffs who have given identifi-

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case or leave it up to 12 strangers;

• Hum or sing a few bars of "You've got to know when to hold 'em and know when to fold 'em."

You have a reputation for settling cases that no one else could. What do you attribute that to?

Tenacity; just trying to keep the process moving. I get a lot of cases I think are never going to settle that do and, on the other hand, I get a lot of cases I think will settle that don't. You never know. As long as I can get the people to continue to move in their negotiations, I will try to do everything I can to help them settle. Δ

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able amounts directly to the defendant may still not be able to get it all (or any of it) back.

Further, the *Korea Supply* case was born of a sustained demurrer — the Court essentially held that the plaintiff had not stated a cause of action where there was no possibility of restitution. This procedural aspect of the case is encouraging for defendants, in a type of case for which summary judgment was often the first significant skirmish on the merits. Plaintiffs who overreach in their demand for relief now may be met with successful demurrers and motions to strike.

The *Korea Supply* decision goes a long way to do what the "Legislature intended[:] to limit the available monetary remedies under the" UCL. *Korea Supply*, 29 Cal. 4th at 1148. The decision "reaffirms the balance struck in this state's unfair competition law between broad liability and limited relief." *Id.* at 1152.

Never one to be told what their intent was, though, the Legislature has recently fought back, and several bills — many as part of the "reform" effort spurred by the antics of the now infamous Trevor Law Group — have been introduced that add disgorgement as an expressly available remedy in UCL actions. One such bill passed the state Senate, and is working its way through the Assembly. Thus, what *Korea Supply* hath wrought may soon be undone. But for now, the case remains good news for defendants in Section 17200 cases. (And, in any event, it may well be that the courts would strike down an amendment to the UCL providing for disgorgement on the constitutional grounds — that is, due process — discussed but not decided in *Kraus*, *Korea Supply*, and other cases.)

Section 17200 has become a darling of plaintiffs because "any member of the public can bring suit under the act," and because of "the UCL's . . . relaxed liability standards." *Korea Supply*, 29 Cal. 4th at 1151. The statute has often been the bane of defendants for the same reasons, and because the potential monetary relief was perceived as great (which, with successful plaintiffs frequently also recovering attorneys fees, led to large settlement pressures). *Korea Supply*, by piling on *Kraus* to restrict a plaintiff's monetary relief, restores some measure of balance to these actions. Δ

Lanham Act

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Library of Congress, medical schools, medical publications, and many others) established that "the consuming public connected the term 'Surgicenter' with the service rather than the server."

• *Self-Realization Fellowship Church v. Ananda Church of Self-Realization*, 59 F.3d 902 (9th Cir. 1995): "Self-realization" is held generic in the context of the name of a spiritual organization. However, the Court reversed the grant of summary judgment on the issue of whether "Self-Realization Fellowship" and "Self-Realization Church" - combinations of individually generic terms - were generic, noting that the validity of those combinations was not based on the validity of the individual parts.

• *Filipino Yellow Pages*, 198 F.3d at 1151: The Ninth Circuit affirmed a finding that "Filipino Yellow Pages" is generic because "[i]f faced with the question 'What are you', [distributors of yellow pages for the Filipino community] could all respond in the same way: 'A Filipino yellow pages.'"

In the following cases, courts found that marks were not generic:

• *Committee for Idaho's High Desert*, 92 F.3d at 821-22: "Committee for Idaho's High Desert" is not generic, because the name for the genus to which these particular services belong would probably be "environmental education and advocacy" and the name for a supplier of these goods and services might be "environmental advocacy organization."

• *Chronicle Publishing Co. v. Chronicle Publications, Inc.*, 733 F.Supp. 1371, 1375 (N.D. Cal. 1989): "Chronicle" is not "a synonym for a book and the general consuming public does not perceive 'Chronicle Books,' or 'Chronicle Publishing,' to exclusively describe a book or a type of book or a type of book published by plaintiff."

• *Deborah Heart & Lung Center v. Children of the World Foundation, Ltd.*, 99 F.Supp.2d 481 (D. N.J. 2000): "Children of the World" is not generic to describe a charity that provides hospital services to foreign children because there are other terms that can be used to describe the targeted group, such as "Humanity's Children" or "The World's Children."

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Punitive

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a plaintiff awarded 1% of the net worth could get punitive damages of $50 million. Thus, *Campbell* could reduce the total verdict from $50.1 million to $500,000. After *Campbell* we will not likely see results like the $28 billion punitive damage award in the 2002 tobacco case of *Bullock v. Philip Morris*, or the $2.7 million punitive damage award in the McDonald's coffee case.

The Compensatory Damage Limitation: When compensatory damages are $1 million or more, the *Campbell* multiplier will likely be one. For a $1 million compensatory damage awarded, the upper limit in punitive damages will likely be $1 million. If the defendant again had a net worth of $5 billion, *Campbell* could reduce a $51 million verdict to $2 million.

A Defendant's Financial Condition Is Probably Not Discoverable: Laws such as California Civil Code section 3295, which permit discovery of a defendant's financial condition in certain punitive damage cases, may no longer be valid if punitive damages cannot be measured by a defendant's net worth.

Compensatory Damages Will Be More Important: Compensatory damages will be even more hotly contested after *Campbell*, because of their increased importance in determining the allowable punitive damages.

Other consequences are harder to predict. Will lower punitive damages spur research, new product development, and lower costs? Or, will smaller punitive damage awards decrease consumer safety and increase trials? It's too early to know the answers to these questions, but one thing is certain: *Campbell* is the dawn of a new era of limited punitive damage awards. Businesses will rejoice, victims will weep, and all will hope that *Campbell's* benefits outweigh its detriments.Δ

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Lanham Act

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What Is the Effect of a Mark Being Generic?

A generic mark cannot become, and cannot be protected as, a trademark. *Surgicenters*, 601 F.2d at 1014; *Chronical Publishing Co.*, 733 F.Supp. at 1375.

While a generic mark cannot be protected "as a trademark," that does not necessarily mean that a misleading use of a generic mark cannot form the basis of a false designation of origin claim under Section 43(a) of the Lanham Act.

Various courts have found that the misleading use of a generic mark can still support a claim for relief under the Lanham Act. The Second Circuit has held that a finding that a mark is generic does not foreclose relief under Section 43(a) if:

(1) goods or services are involved,

(2) interstate commerce is affected,

(3) "an association of origin by the consumer" between the generic term and the first user exists (i.e., secondary meaning), and

(4) there is a likelihood of consumer confusion as to the goods' or services' source when the generic term is applied to the second user's goods or services.

Manning Int'l. Inc. v. Home Shopping Network, Inc., 152 F.Supp.2d 432, 436 (S.D.N.Y. 2001). See also *Blinded Veterans Ass'n.*, 874 F.2d 1035 (while a subsequent competitor cannot be prevented from using a generic term to denote itself or its product, "it may be enjoined from passing itself or its product off as the first organization or its product"). The Ninth Circuit has not yet opined on the validity of this test.

Conclusion

Defendants in a trademark action (especially where the trademark is not registered) should always consider raising genericness as an issue: the consequences of a finding of genericness are devastating to the plaintiff's claim. On the other hand, a trademark plaintiff should draft its complaint with the risk of genericness in mind and define the genus of the product or service in such a way that it is *not the same* as the name of the product itself. Δ

Continued from page 12

general American rule regarding attorneys' fees recovery is limited by California Civil Code §1717. Section 1717 prohibits a dominant contracting party from solely limiting attorneys fees relief to itself. Rather, Section 1717 provides for attorneys' fees reciprocity. In other words, the benefits of an attorneys' fees provision should be mutual, and if they are not, they will be so construed pursuant to Section 1717. In all cases, the court must still determine who is the "prevailing party." It is also important to note that attorneys' fees claimed solely pursuant to Section 1717 are limited to attorneys' fees required to litigate the contractual claims only. *Santisas v. Goodin*, 17 Cal.4th 599, 615 (1998). Attorneys fees claimed for tortious conduct are allowed as costs pursuant to Cal. Civ. Proc. Code §1032 and 1033.5(a)(10)(A). Id. (Note: a technically different standard regarding the interpretation of "prevailing party" may apply in pure contractual, versus pure tort, fee recoveries, which complex discussion is beyond the scope of this article.)

B. Federal Law

Federal courts may also enforce an attorneys' fees clause in a contract, although, in the absence of such a contract (rule or statute) so authorizing fees, each party must bear its own attorneys' fees. *Sheet Metal Workers Int'l Ass'n Local Union No.259 v. Madison Indus., Inc.*, 84 F. 3d 1186, 1192 (9th Ca. 1996). Moreover, because most business litigation in federal court arises out of either diversity jurisdiction or supplemental jurisdiction, federal courts generally look to the law of the state governing the contract. *Marsu v. Walt Disney Co.*, 185 F. 3d 932, 939 (9th Cir. 1999). However, federal courts tend to be more protective of the general American rule restricting attorneys' fees, and will refuse to enforce a contractual attorneys' fees clause if an award of fees would be either "inequitable" or "unreasonable." *De Blasio Constr. Inc. v. Mountain States Constr. Co.*, 588 F. 2d 259, 263 (9th Cir. 1978). While federal courts seem to have more latitude in interpreting and enforcing attorneys' fees provisions, a federal court must award fees when an inequity would not result. *Anderson v. Melwani*, 179 F. 3d 763 (9th Cir. 1999).

Drafting

To avoid the reciprocity problems of Section 1717, supra, a properly drafted attorneys' fees provision should be mutual. The language should also be broad enough to encompass "any lawsuit or legal proceeding" to which "this agreement gives rise." Allstate, supra. An attorneys' fees clause should also be specific; for example, it should provide for the recovery of "actual" attorneys' fees, not just "reasonable" attorneys' fees. Additionally, a properly drafted attorneys' fees provision should also cover costs. In fact, so as not to be limited to a statutory list of costs, the recovery of expenses should be provided, "whether or not otherwise recoverable as allowable costs." Compare Cal. Civ. Proc. Code § 1033.5, et al. Finally, the lawyer drafting an effective attorneys' fees clause should consider coverage for delayed or subsequent litigation, such as might happen once an initial action is over. An example of this would be where a contractual provision provides for fees and costs in a non-judicial foreclosure proceeding, yet later, the lender becomes embroiled in defending against a Truth In Lending Act ("TILA") lawsuit brought by the consumer for improper disclosures. In this example, attention should be given in drafting the attorneys' fees clause so that recovery of fees may be obtained for not only enforcing the contract, but also, for defending against any action involving the contract.

Recovery

Finally, keep in mind that attorneys' fees, if recoverable, are only awarded on noticed motion after the underlying litigation has been concluded. Therefore, throughout the adversary process, detailed time entries should be kept by all counsel. Increasingly, courts require "itemization," not "lumping," of tasks performed, along with similar detail regarding the hours and amounts spent on each. Keeping track of time in this manner also enables the moving party to more easily "redact" inapplicable or privileged items on the attorneys' fees statements submitted to the court. Δ

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