Judges, commentators and prognosticators of all stripes have long decried what is widely perceived to be growing incivility within the legal profession. As part of an ongoing effort to reverse this trend, substantial voices from the Bench and the Bar have called for a renewed commitment: urging lawyers to strive for the highest standards of professional behavior. Not surprisingly, civility has been a core feature of our national identity since the founding of our Republic. From George Washington’s Rules of Civility & Decent Behavior in Company and Conversation to the numerous ethical codes regulating attorney conduct, Americans are keenly interested in civil behavior.

Civility Defined
But what is civility? Justice Anthony Kennedy describes it as “respect for the individual…respect for the dignity and worth of a fellow human being.” Paul L. Friedman, Fostering Civility: A Professional Obligation, Remarks to the American Bar Association Section of Public Contract Law (1998) (quoting Justice Anthony M. Kennedy, Address to the 1997 ABA Annual Meeting (Summer 1997, San Francisco, Calif.)). Civility “stands for nothing more complicated than lawyers treating each other, and the system of justice, with professional courtesy and respect.” N. Lee Cooper, Courtesy Call: It is Time to Reverse the Decline of Civility in Our Justice System, ABA Journal (March, 1997). In the storied history of our profession, attorneys, and the practice of law, have captured the nation’s respect. Rather than harbingers of incivility, attorneys have been seen as beacons of tolerance. As John R. Silber, the seventh president of Boston University put it:

The lawyer’s contribution to the civilizing of humanity is evidenced in the capacity of lawyers to argue furiously in the courtroom, then sit down as friends over a drink or dinner. This habit is often interpreted by the layman as a mark of their ultimate corruption. In my opinion it is their greatest moral achievement: It is a characteristic of humane tolerance that is most desperately needed at the present time.


Yet something seems to have gone amiss. All too often we now witness attorneys behaving badly and a “growing number of attorneys behaving badly and a “growing number of INSIDE
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A Call For Civility in the Law: But Is the Right Person Listening?

I am honored to have recently assumed the position of President of the Los Angeles Chapter of the ABTL. I have enjoyed, and greatly benefited by, my involvement with this wonderful bar organization for so many years, and I am proud to lead our fantastic team of executive officers and Board members for the next year. A few of my goals as President during the coming year are to (1) maintain the unsurpassed quality of programming for the bench and bar that our organization has been well known for over the last 33 years; (2) improve and deepen the relationships between lawyers and judges, and (3) expand our public service involvement and initiatives as an organization to offer our members greater opportunities to give back to our community and to those less fortunate than ourselves.

In that regard, we recently have announced the formation of an ABTL “Speakers Bureau” to match interested attorneys with civic organizations around the city that would like to have a lawyer present some topic of interest. That initiative is formally launching this fall. We anticipate involving our Young Lawyers Division to give younger lawyers in ABTL an opportunity to get in front of a crowd and talk about a subject of interest to them and about which they feel passionate. We will continue our scholarship program which grants a $2,000 educational scholarship to one student from each of the five accredited law schools in the Los Angeles area who has a financial need and a commitment to public service. Those scholarships will be awarded at our November (Continued on page 8)
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cases in which most of the trappings of civility between counsel are lacking.” Townsend v. Superior Court, 61 Cal. App. 4th 1431, 1438 (1998). It is little wonder then that the legal profession “has already suffered a loss of stature and of public respect.” Stemaker v. Woolley, 207 Cal. App. 3d 1377, 1383 (1989) (describing counsels’ physical shoving match as “schoolyard protocol”). As Chief Justice Burger explained:

Without civility no private discussion, no public debate, no legislative process, no political campaign, no trial of any case, can serve its purpose or achieve its objective. When men shout and shriek or call names, we witness the end of rational thought process if not the beginning of blows and combat…. [A]l too often, overzealous advocates seem to think the zeal and effectiveness of a lawyer depends on how thoroughly he can disrupt the proceedings or how loud he can shout or how close he can come to insulting all those he encounters — including the judges.


As Judge Paul Friedman sees it, the “modern age” has “opened its doors to the ‘Rambo litigator’ which has spawned a generation of lawyers, too many of whom think they are more effective when they are more abrasive.” Friedman, supra.

Causes of Incivility

So what has happened to cause the decline of civility in the law? While no single factor has been shown to be the casus bel- lum, it has been suggested that at least three factors have converged to facilitate the move away from civility: (1) a cultural shift within the broader society in which uncivil behavior has become, if not normative, at least acceptable; (2) an overempha- sis on law as a money-making enterprise rather than as a profession; and (3) a failure to instruct and model acceptable modes of civil intercourse. In short, we have become so focused on self-importance that we do not value the worth of those with whom we practice the art of law.

Adding to this complicated muddle is a more subtle, if not sub- stan tial problem of attorney disaffection. A survey of state and local bar association presidents found that “[n]inety percent of those who responded believed civility was a problem in their jurisdiction” and that “[n]inety percent believed the problem was defined by diminished respect among lawyers.” Cooper, supra. As one commentator put it, “something is wrong in the very soul of our profession.” Hunter, supra. “We have lost sight of a funda- mental attribute of our profession, one that Shakespeare de- scribed in The Taming of the Shrew. Adversaries in law, he wrote, ‘[s]trive mightily, but eat and drink as friends.’” Sandra Day O’Connor, Professionalism, 76 Wash. U. L.Q. 5 at *8 (Spring 1998) (quoting William Shakespeare, The Taming of the Shrew, act I, sc. 2, l.275).

Professor Stephen Carter, modernity’s prophet of civility, insightfully explains:

“Trust (along with generosity) is at the heart of civility. But cynicism has replaced the healthier emotion of trust. Cynicism is the enemy of civility: It suggests a deep distrust of the motives of our fellow passengers, a distrust that ruins any project that rests, as civility does, on trusting others even when there is risk. And so, because we no longer trust each other, we place our trust in the vague and conversation-stifling language of ‘rights’ instead.”

Stephen L. Carter, Just Be Nice, Yale Alumni Magazine (May 1998). Chief among these rights is the right to say anything that pops into our head, no matter how offensive or hurtful it might be.

Some of the more outrageous examples of “free speech” occur during the discovery process; the fertile soil from which all forms of incivility spring. A case in point is the following colloquy between an attorney-witness and plaintiff’s counsel during a rather contentious deposition:

So, you knew you had Mr. Carroll’s file in the — Where the f— is this idiot going? —winter of 1990/91 or you didn’t? [DEFENDANTS’ COUNSEL]: Nonresponsive. Objection, objection this is harassing. This is —

THE WITNESS: He’s harassing me. He ought to be punched in the g—damn nose.

How about your own net worth, Mr. Jaques? What is that? [DEFENDANTS’ COUNSEL]: Excuse me. Object also that this is protected by a —


Carroll v. The Jaques Admiralty Law Firm, 110 F.3d 290, 292 (5th Cir. 1997).

While extreme, the preceding is not unique and typifies the type of “take-no-prisoners” litigation strategy that has become all too common. Unfortunately, civil discovery is becoming anything but civil. As an exasperated federal judge noted in the context of a heated discovery dispute: “If there is a hell to which disputa- tious, uncivil, vituperative lawyers go, let it be one in which the damned are eternally locked in discovery disputes with lawyers of equally repugnant attributes.” 76 Wash. U. L.Q. 5 at *7 (quot- ing Judge Wayne E. Alley in Krueger v. Pelican Prod. Corp., No. CIV 87-2385-A (W.D. Okla. Feb. 24, 1989) (order denying motion to dismiss)).

Lawyers Don’t Have to be Jerks

Proponents of incivility (who exist in great numbers, though they prefer to remain anonymous) argue that “civility standards interfere with the obligation of a lawyer to represent a client zealously and loyally.” Friedman, supra. As one attorney recently explained:

I’m a trial lawyer. If you’re my opponent, I don’t care if you like me, or find me witty or engaging. We’re not going out to dinner. We are not friends. All you really need to know about me is this: I’ll beat you if there’s any way the rules will let me… So I get annoyed, and sometimes genuinely infuriated, at these self-anointed “civility” police who lately have pitched their tents at our local bar associations.


This point of view is premised on a mistaken understanding of the legal profession. As Justice Potter Stewart once noted, “Ethics is knowing the difference between what you have a right to do and what is right to do.” ThinkExist.com, Potter Stewart Quotes. The mere fact that a lawyer has complied with the rules does not mean that the lawyer has acted ethically. The assumption that we cannot effectively and zealously serve our clients within the bounds of civility does not stand up to reasoned analy- sis. As explained by Justice Sandra Day O’Connor:

The common objection to civility is that it will somehow diminish zealous advocacy for the client. I see it differently. In my view, incivility deserves the client because it wastes time and energy — time that is billed to the client at hundreds of dollars an hour, and energy that is better spent working on the
case than working over the opponent. According to an English proverb, “[t]he robes of lawyers are lined with the obstinacy of clients.” In our experience, the obstinacy of one lawyer lines the pockets of another; and the escalating fees are matched by escalating tensions. I suspect that, if opposing lawyers were to calculate for their clients how much they could save by foregoing what has been called “Rambo-style” litigation (in money and frustration), many clients, although not all, would pass in the pyrotechnics and happily pocket the difference. It is not always the case that the least contentious lawyer loses. It is enough for the ideas and positions of the parties to clash; the lawyers don’t have to.

As Judge Friedman explains: “Lawyers sell their skills, their seasoned judgment, their advice. They sell their ability to reason, to engage in rational discourse, to present analytically sound arguments. They also sell their reputations and their credibility with the court. To the extent those commodities are squandered by selling their soul to one client, they are less valuable to the next client. Once sullied, reputation and credibility cannot easily be recaptured.” Friedman, supra.

**The Cost of Incivility**

Incivility carries with it a high price tag. As noted above, clients ultimately foot the bill for their attorney’s incivility. Each time an attorney lashes out during a deposition, files an unnecessary motion, prolongs a trial through the use of obfuscatory tactics, needlessly delays, or refuses to produce responsive documents and, in short, engages in any of the many dilatory tactics certain attorneys are known to employ, justice is not served, with the court. To the extent those commodities are squandered by selling their soul to one client, they are less valuable to the next client. Once sullied, reputation and credibility cannot easily be recaptured.” Friedman, supra.

Incivility also carries a high personal cost. Nothing is gained, except hostility, when attorneys behave poorly (e.g., serving requests for documents on a Friday afternoon, refusing to grant reasonable extensions or setting hearings purposefully to inconvenience opposing counsel). And hostility has its consequences. “A recent Harvard study indicates that very angry men are twice as likely to suffer a fatal heart attack or stroke. Even more to the point, a Duke study of lawyers’ hostility over a 25-year period showed that nearly 20 percent of the most hostile lawyers were dead by age 50, while only four percent of the least hostile had died.” Rebecca M. Nerison, Ph.D., *Civility and the Sane Lawyer*, Washington State Bar News (April 2000).

**Curing Incivility**

One suspects, however, that much of what is said about the need for, or desirability of, civility is rather like preaching to the choir. The difficulty comes in convincing the unbeliever. How to achieve this result is the more difficult task. Two possibilities present themselves: fear and persuasion.

One rightly fears the consequences of an unlawful act. Codifying standards of civility is, therefore, one option, one way to, if not convince the unbeliever then at least restrain the offensive behavior. However, “without a fundamental change in attorney conscience, even the best codification of civility can become, to extend the war metaphor still more, just another battleground. Lawyers simply take up the code of conduct and club each other with that, levying accusations of incivility and bringing motions for sanctions.” 76 Wash. U. L.Q. 5 at *10.

How does one effect a change in attorney conscience? By changing the paradigm in which we function. Persuasion then may be the better course. One means of persuasion, and one recently proposed by the State Bar of California, is the adoption

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gamesman in litigation. Today, judges are trained and sensitized to look through the technical “one-upsmanplay” and get to the fair resolve of the particular issue. Thus, for example, if the deposition notice is flawed and the opposing counsel does not notify you of the flaw until after the discovery cut-off, thereby precluding you from taking a critical deposition, the Court is likely to grant your ex parte motion to compel (or deny his motion to quash). The Court will rarely condone this kind of game playing, even when it’s technically authorized, if it has the effect of compromising the client’s right to full and fair discovery.

**What does the Civility Guideline Say?**

Beginning with the Introduction, the California Attorney Guidelines of Civility and Professionalism radicalize the responsibilities of “officers of the court” to include: “an obligation to be professional with clients, other parties and counsel, the courts and the public.” (See: Introduction, Cal. Attorney Guidelines of Civility and Professionalism, page 3.) These guidelines are justified by the desire to promote “both the effectiveness and the enjoyment of the practice and economical client representation.” (Ibid.) The Guidelines acknowledge that they are intended to exceed the minimum requirements of the mandated Rules of Professional Conduct, and that a failure to follow the guidelines will not result in disciplinary charges or claims of professional negligence. In short, they are simply intended to complement codes of professionalism adopted by a variety of bar associations, and are intended to encourage individual attorneys to make the guidelines their personal standards of practice.

The guidelines are, indeed, straightforward and old-fashioned. For example, in Section 3 “Responsibilities to the Client and Client Representation” an attorney is admonished not to “allow clients to prevail upon the attorney to engage in uncivil behavior.” (Page 4, Section 3.) In other words: act nicely, even if your client tells you to be a bully.

With regard to opposing counsel, Section 4 states that: “An attorney should not disparage the intelligence, integrity, ethics, morals or behavior of the court or other counsel, parties or participants when those characteristics are not at issue.” (Page 5, Section 4 (c).) What’s more: “An attorney should avoid hostile, demeaning or humiliating words.” (Page 5, Section 4(f).) Finally, Section 4, subsection(h) states: “An attorney should agree to reasonable requests in the interests of efficiency and economy, including agreeing to a waiver of procedural formalities where appropriate.” (Page 5, Section 4 (h).)

These are hard concepts to follow after three or four solid years of drilling rules and procedures into young lawyer’s heads during law school. In essence, they point away from strict construction of what is “right,” and instead point towards what is “just.” Particularly after a few minor triumphs where strict applicability of procedure has won out over common courtesy, these new guidelines may be tough medicine to swallow.

The Guidelines cover “Writings Submitted to the Court, Counsel or Other Parties” in Section 8. Again, the guidelines recommend staying away from ad hominem attacks on opposing counsel and other degrading remarks. (Page 7, Section 8.) Essentially, they seek to remove the editorializing about extrinsic virtues, (or lack thereof) in papers filed with the court.

The Guidelines delve into great detail regarding suggested behavior in discovery. Essentially, they recommend that attorneys refrain from engaging in conduct which would be inappropriate if in the presence of a judicial officer, refrain from self-serving speeches and speaking objections in depositions, and request only those documents realistically needed to prosecute or defend the action. As to interrogatories, attorneys should refrain from using them to harass or impose an undue burden upon the opposing party, and should answer questions which are not legitimately objectionable. (Pages 8-9, Section 9.)

Motion practice is put into a whole new light with civility as its guiding principle. For example, attorneys are encouraged to “engage in more than a pro forma effort” to resolve issues ranging from demurrers to motions for judgment on the pleadings. (Section 10, page 9 (a.) The Guidelines recommend against seeking monetary sanctions “unless fully justified” and then only after a good faith effort to resolve the issue informally. (Sec. 10, page 9, par. F.)

One of the most directive sections of the Guidelines, which is not codified elsewhere except in limited circumstances, is found in Section 13, which recommends that attorneys “[R]aise and explore with the client, and if the client consents, with opposing counsel, the possibility of settlement and alternative dispute resolution in every matter as soon as possible, and, when appropriate, during the course of litigation. (Sec. 13, page 10.)” This directive seems to go against the rules of litigation in every way, and yet is entirely consistent with the Introductory premise that these high standards of behavior both “elevate and enhance our service to justice” (Introduction, page 3.)

Under Section 13, attorneys are encouraged to evaluate their matters objectively and to de-escalate any controversy or dispute, as well as to consider whether ADR would adequately serve a client’s interests and dispose of the controversy expeditiously and economically. (Section 13, pages 10-11.) It is a novel concept to accept responsibility to inform the client that it could save a lot of expense by settling early, even though the attorney may stand to earn more by prolonging the litigation! What’s more, because litigators are trained to go to court and win for their clients, the suggestion that we have a duty to encourage compromise in the name of efficiency and economy may be abhorrent to some.

The Guidelines set forth specific examples of ways in which attorneys can promote efficiency and justice through our behavior towards one another, our clients and the court. They ask for the signatory to pledge to be guided “by a sense of integrity, cooperation and fair play.” (Attorney’s Pledge, page 15.) They ask for each of us to take responsibility to encourage other attorneys to take the same pledge as a part of each of our responsibilities for “the fair administration of justice” and they ask for each of us to “help promote the responsible practice of law.”

**Why It’s a Good Idea to Sign On to the Civility Code**

Even in this large metropolis, reputation matters, and it becomes a small town if you’ve done something which brings you shame or dishonor. Judges get together for luncheons and conferences, and exchange stories. Mediators do the same, and now even have list-serves to assist in this exchange. Lawyers meet at Bar Association functions, and continuing education events. And we talk. The reputation for being a tough negotiator is very different from the reputation of being cut-throat, deceptive and petty. Reputation may change the way the next opponent reacts or responds to you, not just the present case you’re litigating.

It’s a good idea to act civilly and decently because we all have separate lives and often working partners, struggling to juggle the competing needs of raising a family, caring for aging parents, trying to maintain a legal practice and still carve out time for family vacations, health issues and other more-pressing cases or deadlines. Dogmatic insistence on scheduling discovery, mediations, or motions on days which are inconvenient or impractical for your opposing counsel will not win you any points, and may come back to challenge your own tender balance between life and work.

Finally, bear in mind that based upon an unscientific survey, many judges and most mediators have observed that nice lawyers get better results for their clients. Time and time again, I have observed that the bully is unable to settle the case at the highest value. Contrast that with the well-prepared, courteous lawyer who comes to mediation and honestly explains to the other side...
(and the mediator) precisely how she arrives at a particular value and why she is unable to accept anything less than a certain range. Invariably, the opposing counsel will find a way to respond in kind: with dignity, decency and clarity. Much more often than not, that kind of conduct bodes well for your client, and will enhance their results.

The Hope for Future Generations

In current law schools throughout the country, students are learning concepts in ADR, negotiation strategies and even work/life balance. They are learning to communicate in ways which enhance, not denigrate the profession. These core values are completely consistent with the Bar’s new Code of Civility.

Perhaps, with some effort and a concerted agreement, we can return to the place we once enjoyed as a noble profession of civil defenders. Civility is a good idea; for the profession, for the individual lawyer and for our clients. It is unfortunate that the idea of civility needs to be codified, and that such a code was met with such great controversy. Ultimately, though, it is a necessary idea and useful to restore our profession to its once cherished status and bring back the formerly commonplace “gentlemally” conduct.

— Jan Frankel Schau

A Call For Civility in the Law

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of guidelines that will, hopefully, encourage civility within the legal profession. But what good are aspirational guidelines? At a minimum, they are a powerful pedagogical tool. “Focusing on civility by adopting principles and standards, even unenforceable ones, serves a very useful purpose…. [By] thinking and talking more about civility, and ultimately by adopting civility standards, we on the Bench and in the Bar may persuade, teach and sensitize each other to act more civilly in litigation and help restore to the profession a semblance of its noblest spirit.” Friedman, supra.

As a model of civil behavior, the proposed California guidelines (the “Guidelines”) address “lawyers’ responsibilities to the public, profession, justice system and clients, communications, punctuality, privacy, conduct in court and exparte communications with the court.” Guidelines for Lawyer Civility Move Forward, California Bar Journal, May 2007. While “statutes and rules already govern most of the areas covered in the guidelines” (see, e.g., California Rules of Professional Conduct, The State Bar Act (Business & Professions Code § 6000 et seq), California Rules of Court (Titles 3, 8 and 9)) “the guidelines offer lawyers ‘a sense of best practices, of what better attorneys do.’” Guidelines for Lawyer Civility Move Forward, supra.

So, for example, Los Angeles Superior Court Rule 7.12(1)(2) provides: “Counsel should always deal with parties, counsel, witnesses, jurors or prospective jurors, court personnel and the judge with courtesy and civility.” To help flesh out the application of this rule, Section 4 of the Guidelines provides: “A lawyer’s communications about the legal system should at all times and under all circumstances reflect civility, professional integrity, personal dignity, and respect for the legal system. A lawyer should not engage in offensive conduct or otherwise disparage the intelligence, integrity, ethics, morals or behavior of other counsel, other parties, the court or other participants when those characteristics are not at issue.”

The Guidelines, then, are a model of acceptable behavior. They serve as a “reminder that the practice of law is a noble profession and that civility by its practitioners promotes both the effectiveness and the enjoyment of the practice.” California Attorney Standards of Civility and Professionalism (February 5, 2007 draft).

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The Use of Settlement Counsel: A Plan of Action

How many of us have found ourselves embroiled in a matter where the client is, in our opinion, unwilling to see the risks and willing (he says) to pay the costs necessary for victory at trial. You can’t push too hard, especially at the beginning, without jeopardizing your relationship with the client.

You convince the client that mediation is worth a try, but the client believes that that the mediation process is designed to convince the other side to surrender. Settlement seems unlikely unless and until the client sees the benefits of settlement on mutually acceptable terms. That may not happen, or it may happen very far down the line.

Melvin Belli, the famed “King of Torts,” who was known for his courtroom skills, once said that every case has a settlement value, and those that are tried represent a mistake in assessing that value. In fact, while 90% of civil cases are settled, there are still a large number of cases that mistakenly go to trial. And of those that are settled, many have left clients with a sense of inefficiency and injustice. So how can you get this case settled without compromising your position with the client? What about using someone else on your team who can act as “settlement counsel,” not as trial counsel?

The idea is not a new one. Although there is a great deal of literature differentiating the settlement process from litigation, a few writers have taken the next step to propose the engagement of settlement specialists to take the settlement process out of the hands of the trial lawyer. See, e.g. Coyne, The Case for Settlement Counsel, 14 Ohio St. J. On Disp. Resol. 367(1999); Hoffman and Tesler, Collaborative Law and the Use of Settlement Counsel, The Alternative Dispute Resolution Practice Guide, B. Roth, ed. Ch. 41 (West Publishing, 2002).

Few Attorneys Become Settlement Counsel

The idea has been generally ignored, although there are a few attorneys both here and in the United Kingdom who market themselves as settlement counsel, and one Chicago firm that includes services as settlement counsel in a list of “value added” services on its website. Is there really a need for separate settlement counsel? If so, why hasn’t the idea caught on? How can attorneys implement a settlement plan involving settlement counsel in cases like the hypothetical described above?

Business litigation is a complex process and nothing is universally true. Some lawyers are better at settlement than others, and are good at changing roles from facilitator to litigator while maintaining client control and loyalty. But they can’t do it every time, with every client, and many lawyers just don’t feel comfortable changing jobs in the middle of the project. Talent and results can be somewhat random.

The work of the attorney in settlement is simply different than that of trial counsel. Litigation involves examining past conduct, finding fault, assessing blame, and accurately determining facts that can affect the outcome at trial. Trial counsel uses these elements to create a story, and a position that demonstrates the other

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side and leads to “victory at trial.” This position supports the client’s version of reality, and leads to an expected outcome. Trial counsel works to claim a larger piece of the pie, but consumes a great deal of it in the process. The problem is that aggression often invites push back, and can result in a downward spiral of costs and disappointments until the unhappy client decides to withdraw from the fight and take the best deal available. This is a bad result for everyone. Pounding the other side into submission sometimes works, but it is more alluring than real, destroys relationships, and increases the risk of impasse in negotiations.

On the other hand, an attorney working to settle a case is focused mostly on the future, and to the extent the past is important, it is only to understand the relationships, concerns, and often, the emotions that are driving the dispute. To be somewhat cynical, justice gets left on the doorstep of trial counsel (or, as one sardonic mediator told a participant: “justice costs extra”). Fault, blame, and the position are secondary to the real interests of the clients, and the possibilities of increasing the pie with agreements not available in court. To be effective, a negotiator often must recognize the interests, needs and views of the other side. Although this more cooperative process may be viewed as weakness, it is not: it is reality. Ask any transactional lawyer: creativity and problem solving are not incompatible with advocacy.

As an example, a litigator was engaged to enjoin a former executive who the client/employer believed had taken confidential account information which he was about to use to contact, and potentially appropriate, accounts he worked on for the plaintiff. The facts and the law were murky, but the plaintiff employer was angry and felt threatened. Discovery was undertaken to find out what the former employee had taken, who he had contacted and what he intended. In an early mediation, however, settlement counsel found a resolution that depended less on what had happened, and more on what the future held. An agreement was struck to protect certain key accounts of the client while allowing the former employee to work at the only business he knew.

Given the different nature of his roles, the trial attorney who wants to be a negotiating peacemaker may face some real barriers to getting a case settled:

- First, he or she is engaged to litigate. This means the lawyer is hired to do a different job than settlement. Although most sophisticated business clients understand that their trial lawyer may be able to settle the case, their perception of how that occurs is usually limited.
- Second, trial counsel is hired for a perceived toughness, which interferes with the more cooperative nature of most settlement negotiations.
- Third, there is considerable literature substantiating the existence of psychological phenomena, which act as barriers to effective negotiation in adversarial settings. These barriers are explored in detail in much of the literature on settlement, but at bottom, they all involve the necessity of sharing the client’s reality. An incomplete list of these phenomena includes the following:
  - **Selective Perception.** The attorney and client tend to filter out conflicting data to avoid dissonance with the client’s story.
  - **Optimistic Overconfidence.** To assert control and authority, the lawyer tends to over-predict the outcome and under-predict risk.
  - **Loss Aversion.** Most people will take unnecessary risk to avoid a sense or perception of loss or failure.
  - **Reactive Devaluation.** Ideas and suggestions that come from the other side are automatically given less validity and consideration.

In sum, litigation counsel is the client’s champion. He wants to justify his selection by continuing to earn the loyalty and, we daresay, the admiration of his client. Moreover, there are often political and economic reasons that make it difficult to engage in an aggressive reality check with a client who may have been referred by a partner, or by a continuing referral source.

If one could insert counsel into the process who is trusted and skilled at settlement, who has no vested interest in a litigation outcome, and whose job it is to get the case settled, it is likely that more cases would settle and more would settle earlier and more cheaply.

It has been suggested that the adoption of a settlement counsel system has not been generally accepted because ADR has made it unnecessary, or that there is no model and no rules for such a role. Coyne, supra, suggests that solicitors in England present the best model for settlement counsel. One author has suggested we model settlement counsel on the roles of seconds in old dueling codes. See, Yarn, The Attorney as Duelist’s Friend: Lessons From the Code Duello, 51 Case Western Reserve L. Rev. 70 (2000).

**Rise of Mediation Presents an Opportunity**

To the contrary, even though we have not historically given settlers an honored place at the table, the rise of mediation as a parallel resolution process is an opportunity to engage counsel who is skilled at mediation advocacy. Since most participants find mediation useful even where they don’t settle, at least on the first try, past failures in modeling are irrelevant. Most clients will accept the engagement of a “specialist” in this unfamiliar arena, even though they still rely on trial counsel to be there if things fall apart. Most importantly, being better at mediation means better results.

The real problem with implementation may lie in the mistaken belief that it is radical, a view unfortunately fueled by the literature. For example, proponents of this system have suggested that settlement counsel be appointed from outside the firm of trial counsel and at the beginning of the case (even before the complaint is filed). While perhaps wise, this approach is unnecessary, and impractical.

It would be wonderful if trial counsel could bring in a settler at the beginning of a case but in most cases, it seems unlikely. When a new matter comes in, trial counsel is busy learning the case, creating his story, and most importantly, earning the trust and confidence of the client. Sending the case to another lawyer for the purpose of discussing settlement may send a signal neither wants. On the other hand, client relations may be historic, the facts and law may be sufficiently clear, or the client may be sophisticated enough to begin serious discussions about settlement. The best time to get settlement counsel involved is any time trial counsel feels it can be done. Using the advent of mediation as a trigger point may be the easiest way to implement the idea; an impending mediation is a perfect time to suggest a settlement specialist.

In addition, there is no need to search outside the firm (or firm-related relationships) for settlement counsel unless there is no one available to undertake this role. Identifying persons in the firm as settlement counsel impresses the client with the normality of the change. It should be treated no differently than referring the client to another specialist in the firm.

In the case of the difficult client hypothesized above, the trial lawyer can step back and let another person take the leading role in preparing for and participating in the mediation. Settlement counsel can face the client with a different reality, and some settlement possibilities the client had not considered. Trial counsel is still nominally in charge, but whatever the result, the trial lawyer is insulated from any notions of betrayal or disloyalty; he or she can spend his time getting ready to continue the battle, if necessary. If the case is settled, the client is more likely to be satisfied, the trial lawyer is relieved of a difficult problem, and the firm has done its job.

— Richard E. Posell
Liability Insurance Coverage for Copyright Infringement: A Guide — Part III

The previous two parts of this three-part article discussed coverage for "mixed claims" involving both copyright infringement and breach of license agreement under Commercial General Liability ("CGL") Policies containing policy exclusions for claims arising from "breach of contract." Part I explained that the policyholder's first step in determining coverage is to characterize the claim as one for "copyright infringement." Part II then explained that for "mixed claims," jurisdictions are split over the proper test for interpreting "breach of contract" policy exclusions and provided examples of how these tests are applied. This final Part will provide guidance to policyholders arguing that coverage should be provided for such "mixed claims."

Tools That Policyholders Can Use in Difficult Cases

Where policyholders are involved in coverage disputes in jurisdictions which have not adopted either the "arising out of" or the "but for" tests, there are several arguments for coverage which should be explored.

At the threshold, it is basic that coverage grants are broadly construed while exclusions are to be narrowly construed. See State Farm Mut. Auto. Ins. Co. v. Partridge, 10 Cal. 3d 94, 101 (1973). In this regard, it is the carrier's burden to prove the applicability of an exclusion. See Prichard v. Liberty Mutual Ins. Co., 84 Cal. App. 4th 890, 910 (2000). Thus, where a carrier seeks to deny coverage based on the "breach of contract" exclusion, the carrier will face a heavy burden, especially where the exclusion at issue is potentially susceptible to a meaning which would not negate the potential of coverage. See Hugo Boss Fashions, Inc. v. Fed. Ins. Co., 252 F.3d 608, 623 n. 15 (2nd Cir. 2001). Since a policyholder only needs to prove a "potential for coverage" in order to trigger the duty to defend (Buss v. Super. Ct., 16 Cal. 4th 35, 46 (1997)), carriers will face an especially heavy burden where the exclusion at issue is unclear or has not been fully interpreted by the courts of the relevant jurisdiction.

In addition, the existence of coverage is not determined by the form of the claim asserted by the underlying claimant. Thus, in Vandenberg v. Super. Ct., 21 Cal.4th S15 (1999), the California Supreme Court held that coverage would be available for a claim involving pollution of real property brought in the form of a breach of lease action. In affirming the Court of Appeal's determination that coverage for property damage is not necessarily precluded because they are plead as contractual damages, the California Supreme Court held that "[c]overage under a CGL insurance policy is not based on upon the fortuity of the form of action chosen by the injured party." Id. at 838. The Court noted that this conclusion is buttressed by the notion that coverage is not affected by the form of the legal proceeding chosen by the plaintiff. According to one commentator cited by the Court, "[t]he expression 'legally obligated' connotes legal responsibility which is broad in scope. It is directed at civil liability...[which] can arise from either unintentional (negligent) or intentional tort, under common law, statute, or contract." Id. at 841, citing Malecki & Flitner, Commercial General Liability (6th ed. 1997) p. 6.

An insured may also attempt to rebut the applicability of the "breach of contract" exclusion by establishing that underlying copyright infringement "offense" has been finally determined by the court in the liability action.

For example, in Goodheart-Wilcox, supra, the court determined that there would be no coverage, based on the breach of contract exclusion, because the court in the underlying infringement action had dismissed the plaintiff's copyright infringement claim, finding same to be "subsumed" within the plaintiff's breach of contract claim. The court gave determinative effect, for purposes of adjudicating coverage, to a finding in the liability suit that no claim "arising under the Copyright Act" had been presented.

Goodheart-Wilcox leaves unanswered the question of whether a contrary finding in the liability would also be given determinative effect for purposes of adjudicating coverage. Thus, if the court in a copyright infringement case determines that a claim "arising under the Copyright Act" has in fact been presented, will such a finding bind the defendant-insured's carrier and prevent that carrier from urging application of the breach of contract exclusion? Neither Goodheart-Wilcox nor, to our knowledge, any other reported case, addresses that question.

Another approach worth considering is to examine the origins and purposes of the breach of contract exclusion. For example, at least one commentator has noted that "[a] basic purpose of the [breach of contract] exclusion is to clarify that personal and advertising injury liability coverage is not intended to cover products liability actions based on breach of warranty." Malecki and Flitner, Commercial General Liability (7th ed. 2001), at p. 99 (emphasis added). Liability claims unrelated to breach of warranty may therefore raise an issue concerning whether application of the breach of warranty exclusion is appropriate. See Fantasia Accessories, Ltd. v. N. Assurance Co., 2001 U.S. District LEXIS 18865 (S.D.N.Y. 2001) (applying the breach of contract exclusion to bar coverage in a case involving an alleged breach of warranty).

Finally, even in those jurisdictions which have adopted an expansive reading of the phrase "arising out of," there is case law which supports the principle that the scope of phrases like "arising out of" must be determined on a policy by policy basis. Unless a jurisdiction has adopted an interpretation of such a phrase in context of the same kind of insurance policy at issue in the particular coverage dispute, the policyholder may be free to urge an interpretation of such language which is favorable to a finding of coverage:

"...the phrase 'arising out of' has no 'single 'settled meaning' that applies to every insurance policy.' Philadelphia Indem. Ins. Co. v. Maryland Yacht Club, Inc., 129 Md. App. 455, 742 A.2d 79, 86 (Md. App. 1999). The court elaborated that 'we construe such phrases "on a contract by contract or case by case basis, and not by sweeping language saying that regardless of the exact provisions of the contract we shall interpret all similar, but not identical, contracts alike.' Id...Accordingly, while guided by past interpretations of the 'arising out of' language, this Court will also examine the character of the contract, its purpose, and the facts and circumstances of the parties at the time of the execution.' Litz v. State Farm Fire & Cas. Co., 346 Md. 217, 695 A.2d 566, 569 (Md. 1997).

(Continued on page 8)
CGL policies are purchased by business owners ‘in an attempt to protect against losses that may result from unforeseen liability-imposing events or circumstances.’ Doerr v. Mobil Oil Corp., 774 So. 2d 119, 127 (La. 2000). They “provide the insured with the broadest spectrum of protection for unintentional and unexpected personal injury or property damage arising out of the conduct of the insured’s business.” As a result, the policies do not cover the contractual liability of the insured. The breach of contract exclusion, however, is not intended to excuse the insurer from defending any action that alleges a breach of contract. Indeed, as Plaintiffs argue, ‘clever drafters could prevent an insured from obtaining coverage by merely alleging the existence of a contract.’


This language from Teletronics makes it clear that the Court’s construction of the phrase “arising under” may vary depending on the nature of the insurance policy at issue. Thus, even in a jurisdiction whose courts construe that phrase broadly in one context may not necessarily apply such a broad interpretation where that phrase is used in the advertising injury area.

Conclusion

Finding insurance coverage for copyright infringement remains challenging. The scope of the covered “offense” has been restricted in recent years as a result of the evolution of the ISO forms. In addition, any claim for copyright infringement which is based on the alleged breach of a license agreement will necessarily implicate the “breach of contract” exclusion which is typically part of all CGL policies. Nevertheless, because courts continue to read an insurer’s duty to defend in extremely broad terms, parties sued in connection with these kinds of cases should tender these claims to their CGL carriers.

— Peter S. Selvin and Jed I. Lowenthal

Letter from the President

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14, 2007 dinner program.

I also need to mention the recent work of our Courts Committee, headed by Robert Scoular, in its active support of recent legislative initiatives to raise the pay levels for federal judges and Supreme Court Justices. With the average second year lawyer at most of our law firms frequently earning more in a year than these learned men and women who serve us all with such sacrifice and distinction, it is time to bring the level of judicial pay somewhat closer to a reasonable salary for these highly qualified and underappreciated public servants. I am pleased to report that the groundswell of support for this increase has recently (this month) resulted in the introduction of a bipartisan bill in the House of Representatives to increase federal judicial salaries, which means that there are now similar bills pending in both the House and the Senate. Great news, and long overdue. Please continue to urge your Senators and Congressmen and women to pass this legislation quickly.

We have an exciting year ahead of us, starting this month of October with our state-wide Annual Seminar in Napa Valley (Silverado Resort). Our keynote speaker at the event will be Retired United States Supreme Court Justice Sandra Day O’Connor. Dean of Stanford Law School Kathleen Sullivan will be speaking to us on Saturday evening about her involvement in the Supreme Court case holding as unconstitutional state laws that prohibit the interstate shipment of wine directly to consumers. Next month, at our November 14, 2007 dinner program, we will host an evening of dialogue concerning the current United States Supreme Court by two internationally acclaimed constitutional scholars — Dean Kenneth Starr of the Pepperdine School of Law, and soon to be Dean Irwin Chemerinsky, who will take the reigns (after some controversy — see more on that below) at the UC Irvine School of Law in 2008, anticipating the opening of the law school at UC Irvine in 2009. We eagerly await the interesting and frequently divergent perspectives of these two legal giants as they compare notes and opinions on the make-up of the Court, the current docket, and discernible trends in Supreme Court jurisprudence. This is an evening that definitely is not to be missed, so mark your calendars now in ink and reserve early!

My term of office begins on a very sad note. A few weeks ago, the legal community of Los Angeles, and that of the State of California and beyond, lost a dear friend and colleague. Justice Paul Boland, Associate Justice of the California Court of Appeal, died unexpectedly in September from advanced stage cancer of which he and his family were unaware until less than a week before he passed away. I first met Paul when I was a student at UCLA School of Law in 1980 where he was a professor, and where he instituted what has been referred to as one of the (if not the) first formal clinical trial advocacy programs in a law school curriculum. Shortly thereafter he was appointed to the Superior Court by then Governor Jerry Brown. In 2001, Paul was appointed to the Court of Appeal by then Governor Gray Davis.

Paul served with distinction on our Board of Governors during 1994-1997, and his wife USDC Judge Margaret Morrow maintained the family connection by joining and serving on our Board during 1998–2000. Both have been active supporters of the ABTL for many years, including frequently attending our events and contributing to our activities by serving on program panels. I had asked Paul only a few months ago if he would consider serving another term on our Board starting this year, and in characteristic fashion, he asked if he might “sleep on it” and discuss it with his wife. Paul called me the very next day (as he promised he would) to thank me for “honoring” him with the request but to respectfully decline so that he would not in any way sacrifice the quality and extent of his service to organizations to which he was already committed, and also risk being unable to give the ABTL the time and attention that he said it deserved. He was one of the most decent and caring of individuals you could ever know, always having the time for others, and ever concerned with the quality of justice to all in our state, and for the integrity of our profession and all the good things that it stands for. He was a giant among legal giants, and will be sorely missed by many. I am pleased that the ABTL will be joining to co-sponsor a reception in memory of, and to honor, Justice Boland on November 13, 2007 at the Baltimore Hotel.

We at ABTL were troubled by the recent series of events related to the hiring, firing, and re-hiring of Professor Chemerinsky for the position of Dean of the new law school at UC Irvine. To be sure, everything ended up as it should have, with Professor Chemerinsky accepting the position after it was offered to him a second time, which will bring him to UC Irvine as Dean of the new law school and thus back to Southern California where we have missed his ever-present smile, insightful commentary, and well articulated (and undoubtedly at times controversial) opinions on any number of topics and/or developments in the law. By any measure, the Regents of UC and/or the administration at UC Irvine handled that situation poorly, leaving the impression that Professor Chemerinsky’s opinions and views (which have been characterized by some as left-of-center if using the traditional yardstick of social/political thought) were considered too controversial for him to be able to serve effectively as Dean. In other words, the First Amendment and concepts of academic freedom and independence were damned. Not a very auspicious start for a school where those very principles of freedom of expression and

In VL Systems, Inc. v. Unisen, Inc., 152 Cal. App. 4th 708 (2007), VL Systems (“VLS”) was hired by Star Trac Strength d/b/a Unisen, Inc. (“Star Trac”) in early 2004 for a computer services project. The service contract stated that Star Trac would not attempt to hire, or offer employment to, any VLS employee for any related services or systems engineering. The contract included a liquidated damages clause providing that Star Trac would pay to VLS 60% of the annual compensation or fees paid to the new hire.

In April 2004, VLS hired a senior engineer after the Star Trac project had been completed. In July 2004, Star Trac posted an internet job listing for a director of information technology position and hired the VLS engineer.

After he was hired, VLS sent Star Trac an invoice for $60,000, which was 60% of the engineer’s new salary plus bonus. Star Trac refused to pay and VLS filed suit for breach of contract, breach of the covenant of good faith and fair dealing, and declaratory relief.

In a bench trial, the court found in favor of VLS, but held that the liquidated damages clause was unreasonable given the short period of the engineer’s employment with VLS. The court reduced the damages award to 60% of his Star Trac salary for the length of his employment at VLS. Star Trac appealed.

The Court of Appeal reversed, holding that the no-hire provision of the VLS contract was an unenforceable restraint on employment in violation of B&P § 16600. The court noted that while parties can freely agree on a no-hire provision, such a contract may not be enforceable as to personnel who were not employed at the time of contract performance. Unlike a case where “a happy client of a consulting firm attempts to poach an employee,” the engineer sought employment with Star Trac, a company with which he had no prior contact while employed by VLS.

The court held that B&P § 16600 prohibits contracts that restrain one’s right to seek lawful employment of one’s choice, even if that employment is with a competitor. Similarly, employers cannot indirectly restrict an employee’s mobility by entering into broad no-hire agreements with other employers. Such agreements that impede an employee from seeking employment with a competitor are per se unlawful notwithstanding the employer’s interest in preventing raiding of its employees.

Mediation Privilege Protects Briefs and Emails and May Protect Oral Communications.

In Winsmatt v. Superior Court of Los Angeles County ex rel. Kausch, 152 Cal. App. 4th 137 (2007), the California Court of Appeal issued a writ of mandate directing the trial court to grant a protective order as to mediation briefs and emails exchanged between counsel concerning the mediation.

Plaintiff Corey Kausch (“Kausch”) hired Magana, Cathcart & McCarthy (“Magana”) attorney William Winsmatt (“Winsmatt”) to represent him in a personal injury lawsuit stemming from a plane crash. Kausch also hired Marc Goldstein (“Goldstein”) as an attorney for the personal injury action.

The lawsuit went to mediation, and the first attempt was unsuccessful. After a second mediation was scheduled, defense counsel prepared a mediation brief that stated Kausch’s settlement demand as $1.5 million. Goldstein emailed defense counsel and asked the source of the statement regarding plaintiff’s $1.5 million settlement demand, as he was unaware that such a demand had been communicated. Defense counsel replied that Winsmatt communicated that amount to defense co-counsel and also during a call to schedule depositions and to discuss whether a second mediation was worthwhile.

Goldstein then sent an email to Winsmatt asking whether such communications occurred. Winsmatt confirmed the conversation, stated that no demand was made, but that he told defense counsel that half of the original demand was in order although he had no authority to reduce the original demand ($3.5 to $5 million). The lawsuit settled at the second mediation.

Shortly thereafter, Kausch sued Magana for, among other things, breach of fiduciary duty. Kausch alleged that Winsmatt’s unauthorized communication of a lower settlement forced Kausch to settle the case for much less than he would have but for the communication.

During his deposition, Winsmatt objected to all questions relating to the mediations and denied communicating a lower settlement demand to defense counsel. Kausch noticed the depositions of defense counsel who would purportedly testify that they were the recipients of Winsmatt’s communication of a lower settlement demand.

Magana sought a protective order to prevent discovery of evidence pertaining to the mediation, including evidence of communications between Winsmatt and defense counsel. Kauch opposed the protective order on the ground that he sought discovery only as to unrelated prior statements to the mediation.

The trial court denied Magana’s motion for a protective order on the grounds that the confidentially of mediation proceedings does not extend to perjury or inconsistent statements. Magana filed a petition for a writ of mandate.

The Court of Appeal granted the writ, finding that statutes and public policy support the need to promote candor and dialogue between the parties to facilitate resolution of the litigation. It held that the Evidence Code Section 1119 protects from disclosure mediation briefs, because they “epitomize the types of writings which the mediation confidentiality statutes have been designed to protect from disclosure.” Also protected from disclosure are emails written before the second mediation that quote from and refer to the mediation briefs. The court determined, however, that Magana failed to meet its burden that Winsmatt’s statements to defense counsel were protected, because it was unclear whether Winsmatt’s statements were made for the purpose of mediation or litigation.

Finally, the court held that the trial court may not craft exceptions to the mediation privilege, even if the result shields perjury and inconsistent statements. In so holding, the court noted that it is the legislature’s role to craft exceptions for legal misconduct or other public policies that may warrant conditional confidentiality.

Dissimilarity of Marks Alone Does Not Obviate The Need To Complete Sleekcraft Likelihood of Confusion Analysis.

In Jada Toys, Inc. v. Mattel, Inc., 496 F. 3d 974 (9th Cir. Aug. 2, 2007), Jada alleged that Mattel’s OLD SCHOOL and NEW SCHOOL lines of miniature toy cars infringed Jada’s OLD SKOOL trademark and constituted a false designation of origin and unfair competition. Mattel counterclaimed that Jada’s HOT RIGZ mark infringed and diluted Mattel’s HOT WHEELS mark, constituted

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false designation of origin, copyright infringement, unfair competition, and common law passing off.

The district court entered summary judgment on Jada's claims in favor of Mattel. On Mattel's claims, the district court entered summary judgment in favor of Jada after finding that, because the marks were not identical or nearly identical, there is no likelihood of confusion and no dilution, and that no reasonable person would believe that the marks conveyed a similar expression. The Ninth Circuit reversed. It held that similarity of the marks is just one of eight factors used to determine the likelihood of confusion and that, in the context of two subjectively dissimilar marks, other factors may exist to counter the conclusion that dissimilarity of the marks alone demonstrates noninfringement. The district court, therefore, erred by ending its analysis after determining only that the HOT WHEELS and HOT RIGZ marks were dissimilar.

Similarly, the district court erred when rejecting Mattel's trademark dilution claim. The district court rejected this claim upon finding Mattel that Jada's HOT RIGZ mark was not identical or nearly identical to Mattel's HOT WHEELS mark. The Ninth Circuit noted that, in the trademark dilution context, two marks can be “nearly identical” if they are “similar enough that a significant segment of the target group of customers sees the two marks as essentially the same.” The court determined that a reasonable trier of fact could conclude that Mattel's HOT WHEELS and Jada's HOT RIGZ were sufficiently identical: they both contain the word “hot,” are accompanied by a flame logo, use similar colors, and have the same connotation. In addition, the Ninth Circuit found that a reasonable trier of fact could conclude that the 37-year old HOT WHEELS mark is a famous mark and that Jada began using HOT RIGZ after HOT WHEELS became famous. The court also concluded that survey evidence showing consumers' belief that HOT RIGZ are produced by or associated with Mattel suffices to prove actual dilution of the HOT WHEELS mark.

Finally, the Ninth Circuit held that the district court erred when rejecting Mattel's copyright infringement claim, because no reasonable person would conclude that the dissimilar marks conveyed a similar expression. The appellate court disagreed, finding that a reasonable observer could conclude that the marks are similar and convey the same expression, namely that HOT RIGZ is substantially similar to HOT WHEELS.

Service Provider May Not Change Terms of Service By Merely Posting A Revised Contract On Its Website.

In Douglas v. U.S. District Court for the Central District of California ex rel. Talk America Inc., 495 F.3d 1062 (9th Cir. 2007), Douglas signed up for long distance telephone service with America Online. Talk America acquired the business from AOL, continued to serve AOLs customers, and unilaterally revised the service contract to include additional service charges, a class action waiver, arbitration clause, and choice of law provision pointing to New York law. Talk America posted the revised contract on its website, but never notified Douglas that the terms had changed. Douglas was unaware of the new terms and continued to use the Talk America services for four years.

After learning of the new contract terms, Douglas filed a class action lawsuit against Talk America, alleging violation of the Federal Communications Act, breach of contract, and state consumer protection statutes. Talk America successfully moved to compel arbitration based on the modified contract. Douglas petitioned the Ninth Circuit for a writ of mandamus.

The Ninth Circuit granted the writ and vacated the district court's order compelling arbitration, finding that the district court erred in holding Douglas to terms of a contract of which he was unaware. The court further stated that parties to a contract have no obligation to check the terms on a periodic basis to determine whether they have been changed by the other side. Continued use of a service does not constitute acceptance to new or changed terms, unless proper notice has been given. The court also noted that a revised contract containing an arbitration clause is unenforceable against existing customers even with notice.

In addition, the district court erred when concluding that the revised contract was not unconscionable under New York law, because the district court should have applied California law when it exercised supplemental jurisdiction.

Court May Not Deny Petition to Compel Arbitration Because Statute of Limitations Has Run.

In Wagner Construction Co. v. Pacific Mechanical Corp., 41 Cal. 4th 19 (2007), Pacific hired Wagner as a subcontractor for a construction project. The parties entered into a written agreement containing an arbitration clause that was silent as to the time limit for demanding arbitration.

In January 1999, Wagner sued Pacific for failure to pay all amounts due under the contract. Pacific asserted statutory claims based on a stop notice. Thereafter, Wagner and Pacific were sued for personal injuries related to the construction project. Pacific tendered its defense to Wagner. Wagner then dismissed without prejudice its complaint against Pacific, claiming the existence of an oral agreement under which Wagner's claims would be tolled until the resolution of the personal injury action.

In July 2004, after the personal injury action was resolved, Wagner filed a new complaint against Pacific asserting breach of contract, a common count, and new claims for statutory penalties based on Pacific's failure to pay Wagner its share of funds received from the general contractor.

Three weeks later, Wagner filed a petition to compel arbitration. Pacific opposed the petition, arguing that Wagner waived its right by failing to demand arbitration within a reasonable time, that Wagner's breach of contract claim was time-barred, and that the alleged tolling agreement was ineffective because it was not in writing.

The trial court denied Wagner's petition after determining that its claims were time-barred unless Wagner had a written tolling agreement. The trial court expressly declined to decide the waiver issue. Wagner appealed. The Court of Appeal affirmed the trial court and held that Wagner's failure to demand arbitration before the statute of limitations had passed justified a finding of a waiver. Wagner filed a petition for review, which the California Supreme Court granted.

The Supreme Court reversed and remanded the case. It determined that the court may not deny a petition to compel arbitration on the ground that the statute of limitation has run on the claims that the parties agreed to arbitrate. The court noted when the parties have agreed in writing to arbitrate a dispute, a petition to compel arbitration may be denied under limited circumstances such as waiver or grounds for revoking the agreement; expiration of the statute of limitations period is not such a ground. Instead, the expiration of the limitations period is an affirmative defense that "falls naturally within" the arbitration agreement. To find otherwise would enable a party to avoid arbitration of disputes by asserting all procedural defenses before the arbitration itself could go forward.
Cases of Note  
Continued from page 10

In addition, the lower courts erred in considering Wagner’s waiver. The trial court erroneously failed to reach the issue when denying the petition to compel based on the time-barred claims. The appellate court erred by reaching for the issue on appeal and then relying upon a single factor — whether the statute of limitations expired before the demand was made — rather than a range of factors, to determine the existence of waiver.


Prior to the lawsuit, Seagate retained an attorney who prepared opinion letters concerning certain patents and patent applications by Convolve, Inc. Later, Convolve sued Seagate for patent infringement and sought punitive damages for willful infringement in the Southern District of New York. Seagate asserted an “advice of counsel” defense and notified Convolve of its intent to rely upon the opinion letters and disclosed the opinion counsel’s work product and made him available for deposition. Convolve then moved to compel discovery of Seagate’s trial counsel. The trial court granted the motion to compel upon concluding that Seagate waived the attorney-client privilege as to all communications with all counsel regarding the Convolve patents. The trial court also found that the attorney work product privilege was waived as to trial counsel’s advice regarding the reasonableness of relying upon the opinion letters. Accordingly, Convolve sought production of trial counsel’s opinions regarding infringement, validity, and enforceability of the patents and noticed depositions of trial counsel.

Seagate moved for a stay and certification of an interlocutory appeal, which were denied. Seagate petitioned for a writ of mandamus. The Federal Circuit sua sponte ordered en banc review of the petition, granted the petition, and ordered the trial court to reconsider its discovery orders.

The court began its analysis by discussing the standard for willfulness, which Underwater Devices Inc. v. Morrison-Knudsen Co., 717 F.2d 1380 (Fed.Cir. 1983) defined as the failure of a defendant to exercise an affirmative duty of due care to evaluate potential infringements, including the duty to seek and obtain competent legal advice before initiating any possible infringing activity. Under that standard, failure to obtain or disclose such advice was grounds for an adverse inference that such advice would have been or was unfavorable. As most accused willful infringers assert an advice of counsel defense to establish the exercise of due care and good faith, the court stated that the willfulness doctrine forces an accused defendant to choose between waiving the attorney-client privilege or asserting the privilege and risking liability for willfulness.

Although post-Underwater Devices cases eliminated the adverse inference rule, the court noted that the Federal Circuit had not addressed whether advice of counsel defense waives the attorney-client privilege for both trial and opinion counsel.

The Federal Circuit relied on Supreme Court precedent and principles of copyright law to adopt an objective standard for willfulness — “objective recklessness” — shown “by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” This risk must be known or so obvious that it should have been known to the potential infringer. The court reasoned that the Underwater Devices rule was akin to negligence, which is inconsistent with “willful” in the context of punitive damages. The court emphasized that there is no affirmative duty to obtain an infringement opinion of counsel but noted that the pre-litigation conduct of the accused infringer was relevant to a willfulness inquiry.

The court then addressed the issue of waiver of the attorney-client privilege. The court held that the attorney-client privilege and work product protections were waived as to opinion counsel, because opinion counsel “serves to provide an objective assessment for making informed business decisions.” Trial counsel, however, serves an adversarial function focused on litigation and strategy. This difference, according to the court, warrants maintenance of the attorney-client privilege as to “trial counsel’s communications on an entire subject matter in response to an accused infringer’s reliance on opinion counsel’s opinion to refute a willfulness allegation.” Moreover, because allegations of willfulness are based on pre-litigation conduct, trial counsel’s advice likely would be irrelevant. For the same reasons, the court concluded that while the work product of opinion counsel may not be protected from disclosure, the work product protection of trial counsel remains privileged except in circumstances like “chicanery,” necessity, and hardship.

— Michael K. Grace and Pamela D. Deitchle

A Call For Civility in the Law  
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Can We Restore Civility?

Will it work? Can civility in the law be restored? Perhaps, but it will require a concerted effort. Certainly the Bench and the Bar need to encourage, perhaps forcefully so, civil behavior and, to the extent feasible, penalize incivility. But there is also a role, some may say a primary role for law schools; for it is within those walls that we are first exposed to the legal profession. Civility is learned, not inherited. And it begins with a right understanding of the lawyer’s place in society. In the words of former U.S. Solicitor General John W. Davis:

“True, we build no bridges. We raise no towers. We construct no engines. We paint no pictures. There is little of all that we do which the eye of man can see. But we smooth out difficulties; we relieve stress; we correct mistakes; we take up other men’s burdens and by our efforts we make possible the peaceful life of men in a peaceful state.”


To the extent we are willing, or forced to participate in the process of changing the legal culture; of demonstrating the benefits and virtues of civility, we can change the face of the law. It is possible to resume our proper role in society. It is not a given that we will do so.

— Michael Chaplin

Contributors to this Issue

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thought should be the hallmark of everything that happens there. I was extremely relieved when UC Irvine recognized its error, corrected it, and when Professor Chemerinsky had the characteristic grace and courage to reconsider and accept the position in spite of how he was treated, and join the University of California family (after spending so those many years as a Trojan on the campus of USC). Congratulations to Professor Chemerinsky, and also to U.C. Irvine who have righted the ship and gained a Dean of immense stature and reputation. We are quite excited to have Professor (soon to be Dean) Chemerinsky joining us next month at our dinner program.

I look forward to this coming year with anticipation of continued success for our organization. This is a great city with wonderful lawyers and judges, and ABTL gives us all tremendous opportunities to connect with each other and dialogue about current events, recent cases, and all the many things of interest to the bench and the bar. I will be seeing you at the Biltmore!

— Steven E. Sletten

A Must!

Chemerinsky and Starr: A Dialogue on the Supreme Court

Wednesday, November 14, 2007

Dinner Meeting
The Biltmore Hotel • Los Angeles, California

Wine Tasting Hour  6:00 p.m.
Dinner    7:00 p.m.
The Program  7:45 p.m.