

abtl REPORT

NORTHERN CALIFORNIA

Volume 25 No. 3

Winter 2017

Making Years of Mediation Mistakes: What I've Learned

After 10 years on the bench conducting settlement conferences, I anticipated that becoming a mediator would be easy. Seventeen years later I am writing an article I could call “How To Do Mediations Wrong.” Mistakes have taught me what I can do better to help counsel and clients increase the likelihood of a successful mediation.



Hon. William Cahill (Ret.)

Like all good mediators, I have learned to keep all secrets and forget them the next day. I have found that I need to tell counsel and especially clients the truth of what I perceive to be strengths and weaknesses of a case (I do emphasize different things to different parties). I have learned to listen to all questions, especially from clients, and to answer those questions (or not) depending on the circumstances. I have learned to make sure the mediation gives the

clients their “day in court.” If counsel and I do all that

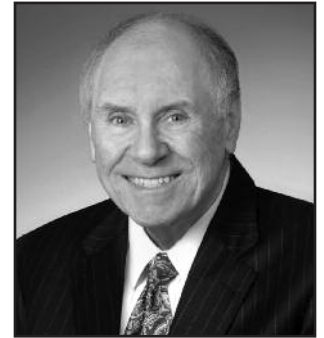
Continued on page 2

Also in This Issue

<i>Timothy Crudo and Andrew Schalkwyk</i>	Mindless Prosecution.....p. 3
<i>Caroline McIntyre</i>	On LITIGATIONp. 5
<i>Howard Ullman</i>	On ANTITRUSTp. 7
<i>James Yoon</i>	On PATENTS.....p. 9

The Bay Area Complex Litigation Superior Courts Part I

In the summer and fall of 2017, an Association of Business Trial Lawyers (ABTL) team conducted one-on-one interviews of the nine Bay Area Complex Litigation Judges for the Northern California ABTL Report. The Judges interviewed were Hon. Barry P. Goode of Contra Costa County, Hon. Mary E. Wiss and Hon. Curtis E. A. Karnow of San Francisco County, Hon. Marie S. Weiner of San Mateo County, Hon. Brian C. Walsh and Hon. Thomas E. Kuhnle of Santa Clara County and Hon. Winifred Smith, Hon. Brad Seligman and Hon. George C. Hernandez of Alameda County.



Frank Burke

The interview team consisted of ourselves and volunteers from the ABTL’s Leadership Development Committee: Shana Inspektor, Adrian Canzoneri, Stephanie Biehl, Kapri Saunders, Adam Brausa, and Ashley Shively. Our goal was to provide a comparative perspective for practicing lawyers about the respective Judges’ case mix, standard pretrial and trial practices, their likes and dislikes concerning lawyer conduct, and other as-yet-unpublished feedback for counsel. The interviewers asked the Judges a common set of prepared questions on these topics. After preparing our interview notes, we provided them to the Judges for editing and comments. The Judges were extremely generous with their time, both in the interviews and in the edits.

Continued on page 6

Continued from page 1

What I've Learned

then the participants develop trust in the process, so that when it is time to “close,” the clients feel the mediation has been difficult, tiring, and stressful – but fair, so they are open to a resolution that makes them unhappy – but relieved.

Over the years I have been involved in simple, small two-party cases, large, complicated multi-party cases, and everything in between. One mistake I've made is to look at a “simple” case and think “this will be easy.” I've learned there is no “simple” case. In all mediations, what happens that day is the most important thing that is happening in the client's life. Sometimes it will affect them for the rest of their lives. All cases, big and small, are important, so treat every case seriously and recall that real people are affected by the mediation.

I've also learned that a full exchange of all unpleasant facts, arguments, and relevant personal issues is important; I ask counsel to help me on this. Litigation is already stressful for clients; mediation adds to that stress. The normal social “lubricant” of politeness is suspended. Clients need to hear unpleasant things -- sometimes hurtful things. When that reality is handled well, the clients trust the process. But for that to happen, counsel must disclose all facts, good or bad, to the mediator and preferably to each other. That is the only way that lawyers can properly advise their clients what to do, which increases the chances of success. Sometime counsel wants to “keep something secret for the deposition.” I get it, but it interferes with our joint goal of settling the case.

“Surprises” -- especially late in the day -- severely reduce a client's trust in the mediation process. Examples are a “smoking gun” document disclosed near the end of a mediation, a demand to change a plaintiff's personnel file to show a resignation instead of a termination, a request that a settlement can be paid over time with no security, a request for a client to exercise expired stock options, and a request in an IP case for a future license (especially if it extends to all patents in the plaintiff's portfolio). Last-minute demands for a written apology have blown up settlements. My policy, which I want all counsel to adopt, is: “disclosure of all bad news is great, but surprises are not.”

I've also made the mistake of not asking counsel at the start of the day about the “minor details” necessary for settlement. Now I ask the lawyers early in the

day to think about what type of release will be requested, will it be mutual, will it include a waiver of unknown claims, or must there be a limited release (e.g. a bank doesn't want to accidentally release an unrelated credit card debt, or a carrier doesn't want this settlement affecting other policies that have been issued). Also, what do we do about releasing certain individuals by name?

I have learned that counsel need to help the mediator know his or her audience. I once started a mediation by reporting that I read the briefs and saw several weaknesses. The lawyers knew what I was doing, but to my regret the clients concluded that I had prejudged the case without hearing from them. Counsel had written a good brief, but I had not let the clients tell me their story orally. I learned that I immediately lost the clients' trust.

I have learned to investigate immediately if I feel something is not going well. There was a mediation where one side got upset and I did not know why. An associate came out of the room and I asked her what was going wrong, promising it would remain confidential between us. She told me that I was leaving the impression that I had taken sides against their client, was not explaining why I thought their case had weaknesses, and was not acknowledging that they had strengths too. I did not feel that way, so had not realized I had left that impression. I then changed my approach in her room. I have learned not to tell either side “you're not listening;” it's my responsibility to resolve the problem (and to thank that young associate). So if something is going wrong, counsel should just tell me what they are experiencing. Be blunt. Take me out in the hall and have a direct and brutally honest discussion. We mediators grow thick skins.

I have made the mistake of telling one side too much good stuff about their case -- “I would rather have your case than theirs.” I later learned that when I left the client said, “Wow, the mediator said we have a great case, why are we settling?” I had put counsel in a difficult position of saying that I was too optimistic and the case should actually be settled.

I have made the mistake of not paying enough attention to the carrier who eventually is going to pay to settle the case. They are often the most important person. They deserve respect, just like everyone else, so I often ask them to sit at the head of the table. Claims representatives face a lot of pressure from their companies, their insureds and counsel. They need information and facts to obtain authority. It is my job to make that happen, but counsel can definitely help me keep this in mind.

Continued on page 3

Continued from page 2

What I've Learned

In cases where a carrier representative is present I make sure I speak to them separately. I need to know if there are any important coverage issues. I can ask the entire room “are there coverage issues?” and be told “no.” I later learn that there are coverage issues – the only way to find out is for me to talk to the carrier alone. Sometimes there are attorney objections, but I now insist. That is when I learn about the reservation of rights, the remaining limits, whether it’s a “wasting policy” (and how much is left), and other important issues. One way to do mediations wrong is to not have that separate conference with the claims representative. A mediator must actually hear what is being said (and watch body language), not just listen. The client’s job may be at stake, his relationship to his family may be at risk, his personal pride on the line. Such things can make a party reluctant to settle despite the strengths and weaknesses of their lawsuit. Counsel can help by telling me about these issues.

Such issues can become even more important – and hard to spot - in “cross cultural” mediations. Americans negotiate differently than some other nationalities; Americans from different parts of the country negotiate differently; stockbrokers negotiate differently than real estate sales people. A good mediator learns that and adapts to the parties’ styles. A Japanese company once brought its CEO and board members from Tokyo. They were quiet, listening, and willing to keep talking when all of the sudden the American East Coast lawyer started arguing like he would in other circumstances, except maybe louder. I could see the Japanese representatives stop listening and close down. The mediation was unsuccessful. Now I head that off at the pass.

I have found over the years that CEOs have no patience for mediation, so I tell them early that they will want to run out before lunch but ask them to stay engaged and trust their lawyers. Sometimes that works, sometimes not and they leave early with a promise to “leave their cell phone on.” It helps if counsel warns the CEO in advance that the pace of mediation is frustratingly slow.

I have given up too early on cases. When I was new and the parties were “too far” apart I would simply say, “You won’t settle today.” Counsel should know that in every mediation there will be “impasse,” we just have to work through it. Every day is different (but often everyone feels “too far apart and insulted” so wants to leave before noon). Fortunately, most days by 6 or 7 pm

Continued on page 11

TIMOTHY CRUDO AND
ANDREW SCHALKWYK

Mindless Prosecution:

Strict Individual Criminal Liability
and the Responsible Corporate Officer Doctrine

In our prior article, we looked at the prosecution of corporations, in particular whether the government can convict a company of a specific intent crime even if none of the company’s employees or agents has a culpable state of mind. In this article we re-visit the state of mind needed for a criminal conviction, but this time we examine the individual defendant. Can a businesswoman go to jail for something someone else did when she has no knowledge that a crime has been committed? For executives at companies in highly regulated industries, recent cases reminds us that, in certain circumstances, she can.



Timothy Crudo

Most of us learned in law school that a crime consists of two elements, a bad act (*actus reus*) and knowledge not just of that act but also that the act was in some way “wrong” (*mens rea*, literally a “guilty mind”). As English legal scholar William Blackstone wrote, “an unwarrantable act without a vicious will is no crime at all.” 4 BLACKSTONE, COMMENTARIES ON THE LAWS OF ENGLAND 21 (1765). The Supreme Court explained this idea in *Morrisette v. United States*, 342 U.S. 246, 250-51 (1952), stating that criminal culpability typically results “only from concurrence of an evil-meaning mind with an evil-doing hand.” These formulations reflect a fundamental idea: an individual cannot be guilty of a crime unless he has some knowledge of it.

The requirement that a person have knowledge of the crime to be guilty of that crime, however, is not absolute, especially in so-called “public welfare crimes” typically arising out of food, drug, and medical device regulatory schemes. The Food, Drug, and Cosmetic Act, for example, prohibits a litany of different conduct, some – but only some – of which requires the defendant to have acted “knowingly.” See 21 U.S.C. §§ 331(a), 333(b). In 1943 the Supreme Court affirmed that in so drafting the statute Congress intended to lower the bar on individual criminal prosecution, at least for certain misdemeanor offenses. As the Court explained, the Act addresses “phases of the lives and health of people which . . . are largely beyond self-protection. . . [and so]

Continued on page 4

Continued from page 3

Mindless Prosecution

dispenses with the conventional requirement for criminal conduct – awareness of some wrongdoing. In the interest of the larger good it puts the burden of acting at hazard upon a person otherwise innocent but standing in responsible relation to a public danger.” *United States v. Dotterweich*, 320 U.S. 277, 280-81 (1943). Under what has come to be known as the responsible corporate officer doctrine, senior corporate officers can be found criminally liable for wrongdoing even if they did not participate in the underlying conduct and, more importantly, even if they were not aware of that conduct.

Dotterweich was reaffirmed by *United States v. Park*, 421 U.S. 658 (1975), where a national food chain and its president were charged with misdemeanors for allowing food to be exposed to rodent contamination. The company pleaded guilty, but Park went to trial. He was convicted after evidence showed that he was responsible for any result that occurred within the company. He was fined \$50 for each of the five counts. The Fourth Circuit overturned the conviction holding that, although the conviction did not require “awareness of some wrongdoing,” the government nonetheless needed – but failed – to prove some “wrongful action” by Park. *United States v. Park*, 499 F.2d 839, 841 (4th Cir. 1974).



Andrew Schalkwyk

The Supreme Court reversed. It held that, particularly in the context of food and drug regulation, a corporate officer whose act, or failure to act, causes a corporation to commit a crime is also guilty of that crime. 421 U.S. at 670. The Court explained that “[t]he requirements of foresight and vigilance imposed on responsible corporate agents are beyond question demanding, and perhaps onerous, but they are no more stringent than the public has a right to expect of those who voluntarily assume positions of authority in business enterprises whose services and products affect the health and well-being of the public that supports them.” 421 U.S. at 672. Cf. *Staples v. United States*, 511 U.S. 600 (1994) (government required to prove defendant knew that firearm had been modified to make its possession illegal under the National Firearms Act despite statute not having an explicit knowledge requirement because act was not a public welfare statute and potential penalty was severe).

Under this doctrine, an executive defendant can be liable even where he had reason to believe that the company was complying with the statute. In *United States v. Starr*, 535 F.2d 512 (9th Cir. 1976), the secretary-treasurer of a food company was convicted for allowing the contamination of food stored in a compa-

ny warehouse, this despite his assistant treasurer having instructed a janitor to clean up the warehouse after federal inspectors had identified problems. Alas for Mr. Starr, after the janitor ignored the instructions and contamination was found at the next inspection, he was convicted under Park and fined \$200. The Ninth Circuit held that, even though Starr expected orders to be followed, he was criminally liable because the actions of the janitor were “by no means wholly unforeseeable.” *Id.* at 516.

Two recent cases illustrate that the responsible corporate officer doctrine is alive and well in the 21st century, and they highlight the risks that unknowing and uninvolved executives face for crimes committed by their companies.

Last year the former CEO of a medical device company prevailed at trial on felony wire fraud and conspiracy charges – which required proof of intent and knowledge – stemming from the alleged off-label marketing of a drug delivery device. He didn't fare as well on misdemeanor charges of introducing adulterated and misbranded medical devices into interstate commerce, which charges did not require proof of his knowledge. *United States v. Facticeau*, Case No. 1:15-cr-10076 (D. Mass.).

Facticeau was charged with fraud and misdemeanor counts for misbranding and adulteration related to a new drug delivery system. The government contended that the device had been approved for low-risk delivery of saline but was marketed for the unapproved, and higher risk, use of steroid delivery. A jury acquitted Facticeau of all felony charges requiring an intent to defraud or deceive but convicted him of 10 misdemeanor counts for introducing an adulterated device into interstate commerce. On the misdemeanor counts the Court instructed the jury that “you may find the defendant guilty . . . even if he did not intend the devices to become adulterated or misbranded and did not personally know about the specific circumstances that caused the devices to become adulterated or misbranded.” (Jury Instructions at 38, Dkt. No. 436) (Emphasis added.). The Court explained that “[a]ll that the law requires is that the defendant held such a position of responsibility . . . [and] that he had sufficient authority to prevent or correct the violation.” *Id.*

More recently, in May of this year the Supreme Court denied certiorari in a case where executives of an egg farm pleaded guilty to a misdemeanor charge of introducing adulterated eggs into interstate commerce and were sentenced to three months in prison despite the government's acknowledgement that they had no knowledge that the crime had occurred. *United States v. DeCoster*, 828 F.3d 626 (8th Cir. 2016), cert. denied, 137 S. Ct. 2160, 198 L. Ed. 2d 232 (2017).

Continued on page 8

On LITIGATION

Litigation requires complying with a series of deadlines: responding to the complaint and discovery requests, law and motion deadlines, and other pre-trial and trial deadlines. Careful planning and organization can help streamline the case and eliminate stress associated with looming deadlines.

Pleadings

Once a claim has been asserted (e.g. a complaint filed) confirm with the client whether there is any basis for insurance coverage. If so, immediately tender the complaint to the carrier to ensure compliance with notice requirements under the policy. Promptly assess whether the action should be removed to federal court based on a federal question or diversity, and whether there is a basis to move to transfer it to a different venue. Next, evaluate whether to challenge the complaint by filing a demurrer or motion to dismiss. (Comparing applicable jury instructions to the causes of action in the complaint can be helpful.) If the action is in federal court, coordinate with the client early to prepare the answer as each allegation must be admitted or denied (see Fed. R. Civ. P. § 8(b)(1)(B)). In state court a general denial is permitted unless the complaint is verified. Assess whether there is a basis for any counterclaim or other cross-action, as they should be filed at the same time as the answer, if possible, to avoid having to seek leave of court later.

Discovery

Create a discovery plan early by mapping out information and documents needed to support your client's claims or defenses. Consider the best vehicles to obtain evidence, such as document requests, interrogatories, or depositions. Build enough time into the schedule to allow production of documents well in advance of key depositions and dispositive motions. To the extent a review of voluminous documents is required, consider the most efficient means to conduct that review, including using search terms.

Most depositions are now limited to seven hours (Cal. Code Civ. Proc. § 2025.290(a); Fed. R. Civ. P. § 30(d)(1)), so take care to frame questions designed to elicit key admissions and other testimony efficiently.

When the case involves technical or other issues requiring expert assistance, consider reaching out to

experts and consultants early in the case to assist with written discovery and depositions.

Motions

When motions are contemplated, outline the legal and factual issues to be addressed. Consider what declarations will be needed, and give the declarants plenty of advance notice of the deadline for drafts and final versions. If supporting documentation requires confidential treatment, a motion to seal will be needed. Be aware of page limitations, as well as any particular rules, including local rules and Standing Orders, governing the motion, including filing and service deadlines. Motions often take longer than anticipated, so build extra time into the schedule for cite checking, colleague/partner review, and client review.

Trial

Once a trial date is set, consider weekly or other regularly scheduled team meetings to discuss division of responsibilities and status of projects. Prepare a detailed trial calendar to keep track of deadlines. For the trial calendar, include all statutory filing deadlines as well as deadlines for internal drafts and client drafts. Itemize any specific motions in limine and trial graphics contemplated. If the trial is out of town, or involves out of town witnesses, reserve hotel accommodations, including any war room, sufficiently in advance of the trial to ensure accommodations are in close proximity to the courthouse. Secure any interpreters needed for trial, and any translation of documents. Know what technology/equipment is available in the courtroom, and follow up to obtain any additional technology/equipment that will be needed.

If the court has imposed, or the parties have agreed to, time limitations for trial, consider preparing a grid of witnesses, including anticipated time for direct and cross examination, and have someone keep careful track of testifying time to ensure sufficient time remains to examine key witnesses.

The litigation process has myriad deadlines. But being aware of these deadlines, and having a game plan to stay on top of them, is critical for your client's interest.

Caroline McIntyre is Managing Partner at Bergeson, LLP in San Jose. cmcintyre@be-law.com



Caroline McIntyre



Continued from page 1

Superior Courts Part 1

This article provides an overview of our interview findings. The Northern California Chapter will make available to members the complete interview summaries as well as supplemental materials offered by the Judges.

Case Mix

The case mix information was either anecdotal or based on the individual Judges' case management data, since none of the Counties track this information in their official statistics.



Chandra Russell

All of the Judges reported that employment and wage hour class action and PAGA actions constitute either their largest category of actions or are among the top two types of actions in their court. They constitute 48-50% of the actions in Santa Clara, 40% of the actions in San Mateo, 10-43% of the actions in the various Alameda Departments, and one of the top two categories in San Francisco and Contra Costa.

The next largest categories vary by County. Contra Costa has significant construction defect and mass tort cases, and Judge Goode also handles CEQA cases. San Francisco has significant mass tort claims as well as many coordinated and consolidated claims of various types. Another Department handles asbestos and CEQA claims. In San Mateo County, securities actions are approximately 20% of the total actions, and Judge Weiner also handles CEQA cases. Alameda County has significant volumes of asbestos, toxic tort/Prop 65, and construction defect claims, each in the 15-25% range.

Except as noted above, the Judges reported a smaller mix (in the 10% or less range) of complex tort, contract, insurance, antitrust, securities, construction defect, trade secrets, other IP, product liability, business torts/unfair competition and personal injury/property damage/wrongful death.

Professional Standards

All Judges agree that the quality of the lawyering is very high in the complex litigation courts. They also agree that collaborative case management by counsel, including robust meet and confers in advance of hearings and trial, are essential to complex cases.

They encourage face-to-face meetings rather than e-mail. Relatedly, the Judges discourage wasting time on collateral matters in discovery or taking unnecessarily adversarial positions in legal briefs and motion practice. As Judge Goode puts it, "light, not heat" is preferred in briefs and at oral argument, and "excessive use of adverbs and adjectives is not helpful."

Adequate preparation is a must. Most Judges also agree that, when in court and on the record, lawyers should address the Judge, not each other. Of course, arguing with the other side in open court is discouraged.

Judges Hernandez and Goode noted the value of creativity and novel approaches to the thorny and cutting-edge issues that often arise in complex cases. Judge Weiner adds that lawyers should be dressed professionally before entering the courtroom, stand while speaking, keep objections short, and not infringe on the jurors' space. Judge Smith, who permits counsel to communicate with the Court via email, discourages parties from using that medium to air disputes or ask questions whose answers lie in the court rules.

All Judges encourage younger attorneys to participate at hearings and trial. Most Judges do not have a formal rule on this but are enthusiastic when senior partners ask junior attorneys to participate, particularly where junior attorneys "did the work." The Santa Clara Complex Civil Litigation Guidelines contain two explicit references to encouraging junior attorney participation at hearings and trial.

Applicable Rules

In Alameda, parties in complex-designated cases receive a notice of assignment and an initial case management order containing specific rules. Each of the three complex Judges has a standing order. The standing orders all prohibit parties from moving to compel before a discovery conference, though the Judges have their own procedures for seeking a conference. Each Judge has recommended procedures available on the Alameda County Superior Court website, where litigants can find procedures and other resources to aid them during litigation.

Santa Clara County's complex departments follow CRC but add three mechanisms for complex case management: (1) automatic discovery stay until the first CMC; (2) a stay on the responsive pleading deadline also until the CMC; and (3) an Informal Discovery Conference (IDC) before any discovery motion can be filed. The Santa Clara County Guidelines cover most aspects of complex practice. Judge Kuhnle notes that complex cases often require

Continued on page 10

HOWARD ULLMAN

On ANTITRUST

Philip K. Dick's novel "Do Androids Dream of Electric Sheep" (the basis for the movie *Blade Runner*) asked whether robots can think and feel. One of the hot topics du jour in antitrust is whether (software) robots can conspire and collude for purposes of the Sherman Act. We're in the very early days, but just as robots can't dream, there are reasons to believe that, at least in the short- to intermediate-term, they also cannot collude to violate the antitrust laws.

First, there is no empirical evidence that software has been able to (or could) learn to conspire. Despite some recent hype about computer collusion, one recalls the adage that "artificial intelligence is always 10 years away." One of the few studies of the ability of computer algorithms to cooperate in the famous "Prisoner's Dilemma" game yielded mixed results. It appears that the chance of creating algorithms that just happen to be good at colluding may be small. Deng, Ai, *When Machines Learn to Collude: Lessons from a Recent Research Study on Artificial Intelligence* (August 30, 2017), available at SSRN: <https://ssrn.com/abstract=3029662>.

Let's assume, however, that computer software develops faster than we predict. What are the risks that companies will be held responsible their computers' price-fixing?

We should first step back and review the activities at issue here. First, consider the 2015 DOJ case against Daniel William Aston and his company Trod Ltd. for allegedly fixing the prices of posters sold online via Amazon Marketplace. See <https://www.justice.gov/opa/pr/e-commerce-exec-and-online-retailer-charged-price-fixing-wall-posters> (Dec. 4, 2015). (An earlier plea agreement regarding similar activity was reached with David Topkins.) According to the DOJ, the conspirators agreed to adopt specific pricing algorithms for the sale of posters with the goal of offering online shoppers the same price for the same product and coordinating changes to their respective prices. Importantly, although the alleged conspirators used algorithms, the alleged conspiracy involved an old-fashioned and very human meeting of the minds, so the case doesn't break new ground, any more than the first prosecutions of price-fixing conspiracies conducted over the telephone or via email did.

The second scenario involves employing algorithms as a business practice that can tend to facilitate collusion. The concern here comes in two flavors. One is

that simply having more data (about customers' as well as competitors' behavior) available for real-time analysis may facilitate collusion. This seems to be a question of degree, rather than kind, because firms already look at the same types of (sometimes voluminous) data in making decisions about their pricing (input costs, buyer behavior, public information on competitors, etc.). Another concern is that competitors may use the same algorithms, making parallel pricing more likely, even if the algorithms do not communicate with each other. That's possible, although it is not clear that major competitors will buy the same off-the-shelf algorithms. If they did, that could be a "plus factor" to be considered in combination with others as circumstantial evidence of an agreement. However, using the same algorithm may be a relatively weak plus factor – after all, options traders have for decades used the same Black-Scholes formula to calculate options prices without any antitrust challenge.

The third scenario is the (for now) hypothetical one: two or more firms employ pricing algorithms that, without full human control, somehow communicate and conspire with each other. This scenario also has two variants – a difficult case and an easier case. The easier case is that although humans do not affirmatively program the algorithms to conspire, they can observe the results. For example, if a computer does not lower prices when demand is down and supply is up, then the humans may be on some sort of inquiry notice to figure out what is going on. One can at least imagine a rule that holds the company responsible for setting the wheel in motion and knowingly turning a blind eye to the results.

In the difficult case, competitors' algorithms communicate and conspire with each other, and somehow the results are sufficiently masked that no human is any the wiser. Although this variant seems improbable, we may not be able to entirely rule it out a priori. At the moment, no case has presented these facts, so the best one can say is that the competitors' liability is uncertain. There also might be an argument that the software manufacturer should face some liability for its creation – although it is not at all clear that the language of the Sherman Act would support such liability. Algorithms can make pricing more competitive, and we should be reluctant to adopt a rule that interferes with those pro-competitive efficiencies.

Mr. Ullman is of counsel with Orrick, Herrington & Sutcliffe LLP. bullman@orrick.com



Howard Ullman



Mindless Prosecution

In *DeCoster*, regulatory authorities traced a salmonella outbreak that ultimately sickened 56,000 people to Quality Eggs. The father and son defendants were the owner and COO of the company, and they pleaded guilty to a single misdemeanor count of introducing adulterated eggs into interstate commerce in violation of 21 U.S.C. § 331(a). The parties stipulated that the DeCosters held positions by which they could have prevented the introduction of contaminated eggs but also that there was no evidence that any person at Quality Eggs, including the DeCosters, knew that the company was shipping contaminated eggs. The DeCosters were sentenced to three months in jail. They appealed the sentences, arguing that due process prohibited the imposition of prison time without some basic showing of knowledge. The Eighth Circuit rejected the argument. It concluded that defendants can be criminally liable for violations within their “responsibility and authority . . . regardless of whether they were aware of or intended to cause the violation.” *DeCoster*, 828 F.3d at 632. While acknowledging that criminal liability could not rest on vicarious liability, the Court determined that the control exercised by the DeCosters, and their negligence in exercising that control, were sufficient to find criminal culpability, even if they lacked specific knowledge of the crime. The Supreme Court declined to hear the DeCosters’ appeal. 137 S. Ct. 2160, 198 L. Ed. 2d 232.

The Eighth Circuit’s decision in *DeCoster* and the Supreme Court’s refusal to take up the case have raised the stakes for corporate officers. Even though misdemeanors can carry a penalty of up to a year in prison, prior to *DeCoster* executives convicted under the responsible corporate officer doctrine were almost universally sentenced only to pay a fine rather than to spend time in prison. The DeCosters appealed their three-month prison sentences, arguing, in part, that due process required a finding of some knowledge before they could be deprived of their liberty. The Eighth Circuit recognized the potential due process concerns of imposing jail time without a finding of *mens rea* but rejected the DeCosters’ arguments because, it reasoned, a three-month sentence was “relatively short” and did not “gravely damage their reputations.” 828 F.3d at 633 (“even a maximum statutory penalty of one year imprisonment for a misdemeanor offense is ‘relatively small’ and does not violate due process”).

The courts have been careful to make clear that a defendant’s title alone is not sufficient to find criminal culpability. The government still must prove that the defendant had the responsibility and authority to prevent the violation. But as *Park*, *Facteau*, and *DeCoster* show, this responsibility can be very general, and even corporate officers removed from the criminal conduct can be liable if they have some authority to ensure compliance.

And the Department of Justice continues to emphasize individual, rather than merely corporate, liability. (<https://www.justice.gov/opa/speech/attorney-general-jeff-sessions-delivers-remarks-ethics-and-compliance-initiative-annual>) (“The Department of Justice will continue to emphasize the importance of holding individuals accountable for corporate misconduct. It is not merely companies, but specific individuals, who break the law. We will work closely with our law enforcement partners, both here and abroad, to bring these persons to justice.”) That makes it worth considering where the Department of Justice might push *Park*, *DeCoster*, and the responsible corporate officer doctrine beyond food, drugs, and medical devices. The theory underlying *Park* and *Dotterweich* is that in areas such as food and drugs where corporate wrongdoing, or even mere inadvertence or neglect, could lead to widespread harm among the general public, the government is justified in imposing strict liability on those who are in a position to prevent that harm so as to ensure that they do all in their power to do so. Are there other areas that might be ripe for the application of the responsible corporate officer doctrine?

Environmental crimes are one area where widespread harm may result from a failure of a corporate officer to act. And, indeed, the Clean Water Act explicitly incorporates the concept of a responsible corporate officer (33 U.S.C. § 1319(c)(6)), although liability attaches only for “knowing” violations. *Park* suggests it need not, however. And how about consumer products? Recent problems with sudden acceleration and faulty airbags may provide fodder for the argument that automobile safety regulations could justify the imposition of no-knowledge liability as under the Food and Drugs Act. Similarly, might the next economic downturn prompt Congress to make it easier for prosecutors, who largely came up empty following the Great Recession, to pursue executives in securities, banking, and finance cases without requiring proof of knowledge?

Because this kind of strict criminal liability is the exception and as such must be provided for, directly or indirectly, by the underlying statute, for today such expansion of the responsible corporate officer doctrine requires legislative action. But for now, defendants should heed the warning of *DeCoster* (and potentially *Facteau*, who has yet to be sentenced). Where senior executives previously may have faced monetary penalties for a misstep under the stringent requirements of regulatory regimes such as the Food and Drugs Act, prison sentences, even if relatively modest, are now fair game.

Andrew Schalkwyk is an associate in the White Collar Defense and Government Enforcement practice group at Coblenz Patch Duffy & Bass LLP, where he counsels clients in various commercial litigation and white collar matters.

Tim Crudo is the head of the White Collar Defense and Government Enforcement practice group at Coblenz Patch Duffy & Bass LLP, where he focuses on white collar, securities, and corporate governance matters.

JAMES YOON

On PATENTS

Courts have consistently ruled that a company cannot directly infringe a United States patent by making, using and/or offering for sale products outside the United States. Courts have further ruled that a company that sells products outside the United States is generally not liable for infringement if its products are imported into the United States by a third party. Unfortunately, the “clarity” of such rulings frequently evaporates in litigation and defendants are often subjected to crushing discovery costs, expensive motion practice, and trials to establish the non-infringing nature of their non-U.S. activities. This burden results from many factors, including monetary compensation sought by the plaintiff, litigation strategy, and the nature of commerce.

Monetary Compensation. Patent holders understandably want to maximize their potential damages claim. For example, in semiconductor cases, more than 90 percent of sales can occur in Asia, where the chips, and the vast majority of products, are made. If the patent holder cannot reach these sales, it may not be able to establish a damages claim sufficient to justify patent litigation.

Litigation Strategy. Some patent holders cynically use discovery relating to foreign sales to drive up litigation costs and theoretical damages claims to gain settlement leverage. These patent holders — many of which are non-practicing entities that frequently settle for amounts substantially less than the corresponding cost of litigation — use foreign sales to greatly increase the asymmetry of litigation costs.

Nature of Commerce. The modern nature of business also makes it harder to eliminate “foreign” sales. It is almost impossible to completely separate a U.S. company’s U.S. and non-U.S. transactions. Some pre-sale meetings, marketing events, key negotiations, and other activities contributed to the non-U.S. sales. Patent holders will argue that these U.S.-based activities convert the “foreign” sales into U.S. sales, and that such U.S. activities “induced” third parties (who later import products into the U.S.) into infringing asserted patents.

Companies can take action in two main areas to reduce their exposure to U.S. liability and litigation burdens? First, they should review their business practices to make sure they have clear and consistent practices to avoid inadvertently infringing U.S. patents, including having a non-U.S. subsidiary be responsible for all non-U.S. sales activity. This subsidiary must be

responsible for negotiating and handling the “essential” terms of any sale, including price, quantity, date of delivery, location of delivery, and transfer of title. It is also helpful if the contract with the non-U.S. subsidiary is governed by the law of a foreign country, and provide for a foreign venue.

Second, the company should have a discovery strategy with respect to non-U.S. sales. Patent holders will not simply concede that non-U.S. sales fall outside the scope of the patent claim. To limit discovery on non-U.S. sales activities and, if necessary, get summary judgment of non-infringement relating to these non-U.S. sales, companies should have a discovery strategy on how to handle their “foreign” sales.

Companies need to recognize that it is not enough to communicate to a patent holder (and, perhaps, a Court) that it is not entitled to “foreign” sales discovery. Patent holders will undoubtedly move to compel “foreign” sales discovery and attempt to cast the refusing company in a negative light. From the start of discovery, in-house counsel should be prepared to provide the patent holder with a robust and clear explanation as to why it would be futile and a waste of party and Court resources to engage in full discovery relating to foreign sales. The company should support its explanation with an offer to provide the patent holder with a declaration from a company witness (or even a deposition) that would provide the patent holder with sufficient facts to demonstrate that such non-U.S. sales falls outside of the reach of U.S. patent law. Such explanation maximizes the chance that the patent holder will agree to forego discovery on foreign sales (and may even increase the chance of settlement). In the event that the explanation does not persuade the patent holder, however, the explanation nonetheless puts the company in the best position to defeat, in whole or in part, a motion to compel foreign sales discovery. Courts hearing a motion to compel take a more favorable view of defendants who are forthcoming in discovery and provide the patent holder with a reasonable basis for their opposition. Such Courts are more likely to put the burden on the patent holder to justify discovery and to seek ways to reduce the burden on the defendants.

Further, if a defendant company addresses the foreign sales issue early and openly in litigation, Courts may be more inclined to accommodate an early summary judgment motion on the issue of foreign sales. Courts recognize that such motions often times resolve the dispute between the parties and leads to quick settlement of the disputes.

James Yoon is a partner with the Palo Alto office of Wilson Sonsini Goodrich & Rosati. jyoon@wsgri.com



James Yoon



Continued from page 6

Superior Courts Part 1

deviation from the standard rules, especially in regard to discovery.

As in Santa Clara, Judge Goode's preliminary notice of assignment stays all discovery until the CMC. Judge Goode issues an e-filing order in each case. Judge Goode's Order re Issue Conference contains detailed rules regarding various aspects of trial, including a list of seven sua sponte rulings for which it is unnecessary to file motions in limine. The court website also has "A Handy Guide to Department 17."

In San Francisco, Judge Karnow's Users' Manual provides thorough guidelines on case management, discovery, class actions, page counts, trial, and other matters. Judge Karnow stresses the importance of flexibility in modifying CCP, CRC, and Local Rules in complex cases. Judge Wiss does not have any chambers rules.

Attorneys appearing before Judge Weiner are required to follow the CRC, Local Rules, and Complex Civil Department rules (available on the court's website and contained in her CMC Order #1). The website contains model protective orders and special rules for Filed Documents and Courtesy Copies, Hearing Dates, Ex Parte Applications, and Discovery.

Case Management Conferences

Each of the Judges emphasized the critical role of case management in complex litigation. Judge Karnow has emphasized that the difference between a simple and complex case is "the interventionist role of the judge in the complicated case as a result of the failure of the usual rules of civil procedure and the inefficiencies of the usual roles of the participants." At the initial CMC, most Judges do not want to receive the standard Judicial Council form, opting instead for a joint statement covering the principal factual allegations, causes of action and defenses, status of the pleadings, identification of major procedural and substantive problems, and a vision of how the case will progress. Judge Goode wants the parties to cut through to the heart of the case and identify "lynch pin" dispositive issues that can be teed up for decision. Similar sentiments were expressed by most of the Judges. Judge Hernandez encourages counsel to come up with novel, "even crazy" solutions. Most encourage lead counsel to attend in person and not send a stand in.

Each Judge sets a schedule of follow-up CMCs at 2-5 month intervals. Most discuss a discovery plan at the CMC, covering issues such as phasing or bifurcation, and some engage in a preliminary discussion of how E-discovery will be handled. Judge Seligman does not think it helpful to launch extensive discovery without having first thought about the issues requiring resolution. Judge Karnow prefers that the parties consider sequencing discovery, "with each phase to either lead directly to a motion or provide efficiencies for the next phase." Judge Smith considers phasing discovery or bifurcation if requested by the parties.

Many of the Judges inquire about and set deadlines for substantive or class certification motions at the CMC. There are differences among them on the scope of discovery in advance of a class certification. Judge Goode usually limits such discovery pre-certification to class certification issues, but recognizes that an examination of these issues may implicate substantive issues as well; he encourages parties to "try to find the line and stay on the class certification side of it initially and keep the merits discovery to only that which is necessary to inform the class certification issues." Judge Walsh uses a similar approach. In employment class actions, Judges Goode and Walsh try to determine whether defendants plan to file declarations in opposition to the class certification motion, which may lead to further deposition discovery by plaintiffs before the response or reply brief is due. One of Judge Karnow's approaches is similar, but he usually anticipates little discovery before the certification motion, with defense discovery before its response and plaintiff discovery before the reply. Judge Hernandez's and Judge Smith's Department Guidelines suggest a similar "staggering" of discovery by plaintiffs and defendants in connection with a motion for class certification. Judge Weiner does not stay merits discovery pre-certification, but sometimes prioritizes the staging of discovery pre-certification, especially E-discovery which may be voluminous and time consuming.

The Judges report that in PAGA actions, phasing of discovery is impacted by the recent case of *Williams v. Superior Court*, 3 Cal. 5th 531 (2017), which governs.

Discovery

The topic of discovery and discovery disputes is another area for novel solutions in the complex litigation courts. Most of the Judges use a very differ-

Continued on page 11

Continued from page 10

Superior Courts Part 1

ent approach from that set forth in the rules. Judge Karnow urges counsel to “think outside the box.” For many, discovery conferences are informal, with short letter briefs instead of traditional style briefs and informal dialogue among the Court and counsel, sometimes considered to be off the record.

For example, in both Santa Clara County and Contra Costa County, all discovery is stayed until the CMC. After all parties have been served, the stay may be lifted in whole or in part. A hallmark of the Santa Clara Guidelines is the Informal Discovery Conference (“IDC”), an off-the-record discussion preceded by a three-page letter brief. If an agreement is reached, it is memorialized in an order, and if not, a motion may be filed. Judge Goode encourages informal discovery conferences, but does not require them. Judges Hernandez, Seligman and Weiner require an informal process, with short letter briefs and discussion and guidance from the Court, before they will grant permission for the parties to file a formal motion. Judge Smith requires the parties to send two page e-mails to her Department requesting a Discovery CMC when there is a dispute. Judge Karnow recommends that counsel consider informal conferences with him, either telephonically or in writing, and provides a checklist for counsel to follow. If that fails, he offers a unique “one shot” procedure which requires a joint submission which groups the issues, quotes only the relevant text of the disputed discovery, and succinctly presents each parties’ argument, once per issue. He usually rules without a hearing within a few business days but will schedule a hearing if requested.

Judges Weiner, Seligman and Wiss are more proactive on electronic discovery. Judge Seligman wants the parties to issue litigation holds and determine what information they have, where it is and how to search for it, and to meet and confer with the other side before coming to the case management conference. Judge Weiner encourages the parties to agree on initial search terms and an initial subset of custodians and complete those productions before conferring on the full scope of custodians, a topic on which they often disagree, which is when she gets involved. Judge Wiss asks the parties to present her with information about what kind of discoverable information is available, its format, how it should be produced, the cost of productions, and whether they recommend using a document depository.

Several of the Judges suggest that parties focus on the named plaintiffs’ depositions and defendant PMK

depositions early on. Judges Hernandez, Smith and Weiner suggest that parties focus on depositions and documents rather than interrogatories and requests for admission. Judge Weiner limits parties to 35 special interrogatories and 35 requests for admission (other than authenticity of documents), without a prior court order after demonstration of need and a showing that other means of discovery would be less efficient.

Frank Burke handled complex litigation for 42 years, and is now a neutral at ADR Services, Inc. and a Pro Tem Settlement Judge.

Chandra Russell is a senior associate in the Employment Practice Group at Farella Braun + Martel LLP.



Continued from page 3

What I’ve Learned

they are signing a settlement. (I think cases settle earlier during the winter because the sun goes down earlier.) If we don’t succeed the first day it helps if counsel stays in touch with me, and tells me what prevented settlement that day.

I have made the mistake of making a Mediator’s Proposal too early, so the parties do not trust it. If someone is asking for a proposal, it is usually too early. The proposal is my best estimate of what I think the parties will settle for. In confidential meetings with counsel throughout the day I get a lot of vital information about what might work. I never accept “bottom lines” (and please don’t try to fool the mediator, if you want a successful mediation). But if I have been paying attention and especially if counsel has been honest with me, I have some idea as to what might work. I also give the parties enough time to respond thoughtfully. A corporation or carrier may need a few days to evaluate what has happened.

Early mediations are a mixed bag. If we settle, then it saves costs for clients. But nothing is under oath, and attorneys cannot later rely on hearsay information from mediation. It helps to give the other side documents they will get in discovery anyway so that everyone is can go forward early, but informed.

When someone says, “I won’t negotiate against myself” I explain that they are not really negotiating with the other side, they are negotiating against a number they have in mind, probably decided even before the mediation started. You are negotiating against that secret number, so it does not matter what the other side is doing.

Continued on page 12

Continued from page 11

What I've Learned

And a mistake I quit making years ago is to start the day with a “free for all” joint session where I do not know what is going to happen. When that joint session is over, it takes me two hours to undo the clients’ anger and bad feelings. I have joint sessions during the day, sometimes with everyone, sometimes just lawyers, sometimes with just clients without lawyers, but I only have those sessions if I know what I want to accomplish and I only ask questions that I already know the answer to. If done right, such joint sessions are invaluable.

All counsel and clients expect the mediator to come to their case completely and totally prepared. Mediations are expensive, time consuming, and deserve the very best from the mediator. Over the years I have learned this lesson the hard way; mediation is a job that cannot be faked. (Lawyers can’t fake this either.)

And one final way I learned how to do a mediation wrong. Late at night I typed up a mediator’s proposal and gave it to the parties. I had changed my mind as to the number on the first draft and did a second draft. I gave the first draft to one side and the second draft to the other side (they were both still in the printer). Both sides accepted the proposal and went home to prepare the final settlement documents. The next day I had to answer some unpleasant phone calls.

But mediation is a great job and those of us who do it are blessed to have earned the Bar’s trust.

Judge Cabill was a litigation partner at Bronson, Bronson & McKinnon. In 1990 he was appointed to the San Francisco Superior Court bench, and since 2000 has been a mediator and arbitrator.



Back Issues Available on Website!

Readers can browse the ABTL website for back issues of ABTL Northern California Report, covering the premiere issue in the Fall of 1991 through the current issue.

www.abtl.org



Michèle Silva, Executive Director
c/o Fox & Associates
397 Ray Street, Pleasanton, CA 94566
(925) 447-7900 • www.abtl.org

OFFICERS

Thomas B. Mayhew, *President*
Larry M. Cirelli, *Vice President*
Daniel J. Bergeson, *Treasurer*
Bruce A. Ericson, *Secretary*
Diane M. Doolittle, *Immediate Past President*

BOARD OF GOVERNORS

Daniel B. Asimow • Hon. Carlos Bea
William Bernstein • Rachel S. Brass
Walter F. Brown, Jr. • Hon. Gerald J. Buchwald
Jeffrey R. Chanin • Frank A. Cialone
Rodger R. Cole • Hon. Carol A. Corrigan
Marcie Keenan Farano • Derek F. Foran
Hon. Robert B. Freedman (Ret.) • Hon. Beth L. Freeman
Hon. Haywood S. Gilliam Jr. • Jennifer A. Golinveaux
Hon. Yvonne Gonzalez Rogers • Hon. Barry P. Goode
Michael C. Hendershot • Hon. Susan Y. Illston
Hon. Teri L. Jackson • David C. Kiernan
Hon. Sallie Kim • Hon. Peter H. Kirwan
Hon. James P. Kleinberg (Ret.) • Hon. Lucy H. Koh
Hon. Richard A. Kramer (Ret.) • Molly Moriarty Lane
Hon. Elizabeth D. Laporte • Hon. Patricia M. Lucas
Hon. Socrates P. Manoukian • Anna S. McLean
Beatriz Mejia • Mark C. Molumph
Tim L. O'Mara • Evette D. Pennypacker
Michael K. Plimack • Benjamin K. Riley
Hon. Richard G. Seeborg • John S. Siamas
Hon. Mark B. Simons • Hon. Winifred Y. Smith
David S. Steuer • Stephen H. Sutro
Ragesh K. Tangri • Hon. Alison M. Tucher
Christine B. Van Aken • Marshall C. Wallace
Christopher L. Wanger • Hon. Marie S. Weiner
Hon. Mary E. Wiss • Hon. Theodore C. Zayner

EDITORIAL BOARD — ABTL REPORT

Ragesh K. Tangri, Editor-in-Chief
(415) 362-6666

Columnists

Amy Briggs • Frank Cialone • Roger Heller
Joseph Mauch • Caroline McIntyre • Peggy Otum
Howard Ullman • James Yoon