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Winning Attorneys Fees Motions: The Good, the Bad, and the Ugly

Hon. Socrates Peter Manoukian

I have been a sitting judge for 28 years. I am still on the bench, still active, and with no plans to retire to undertake private judging. Or, put another way, I have not had reason to generate a bill for my services in a long time. Although I have vestiges of memories of computing fees from my own experience, most of what I now know is from reviewing applications for attorneys fees.

Just about every discovery motion has a request for monetary sanctions in the way of reimbursement of attorneys fees. It also is very common in certain types of litigation for the parties to agree on a settlement

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For most employers, it is important to own the intellectual property rights in written and/or graphic work commissioned from independent contractors. But including a Work Made for Hire Clause ("WMFH Clause") in an independent contractor agreement will cause a California-based independent contractor to be considered a "statutory employee" under California's workers' compensation, unemployment insurance, and disability insurance laws. Companies engaging California-based independent contractors must therefore decide whether to include a WMFH Clause in the agreement – weighing such factors as the type of work product the contractor will be delivering and how the company intends to use it. Given the state's heightened focus

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U.S. Department of Justice's Deconfliction Policy – Ripe for Review

Casey O'Neill

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Counsel representing corporate clients frequently pledge cooperation when confronted with an investigation by the U.S. Department of Justice ("DOJ" or the "Department"). DOJ has adopted policies designed to award companies that provide cooperation, which includes, for example, conducting an internal investigation, sharing relevant facts, and identifying bad actors within the company. In the course of dialogue with counsel representing a corporation, DOJ may ask that counsel refrain from speaking with or interviewing certain employees: "For the employees, we would prefer to speak with them before your firm interviews them. We would prefer that you not contact them. That will not be a problem, will it?"

This question has come to be known as a "deconfliction" request. Deconfliction is the practice of a company's counsel deferring certain investigative steps – most commonly, interviews of company employees – for some period of time until the government has had an opportunity to interview them. The government may prefer this so it has the first chance to speak with a witness, under the assumption that prior contact with the company's counsel may taint an employee's recollection or slant the facts in some fashion.

But deconfliction requests can run afoul of corporate Constitutional rights, and in particular, a corporation's Sixth Amendment right to counsel. For that reason, the Department would be well-served to reevaluate its policy toward such requests.

A. Current DOJ Policy and Practice

Cooperation with DOJ, of course, is a mitigating factor by which a corporation can gain credit in a case that otherwise is appropriate for prosecution. USDOJ, Justice Manual (formerly, U.S. Attorney's Manual) § 9-28.700 (incorporating Memorandum from Mark Filip, Deputy Attorney General to Heads of Department Components and United States Attorneys (Aug. 28, 2008) (the "Filip Memorandum")). Cooperation includes the timely and voluntary disclosure of all facts relevant to the wrongdoing at issue and making company officers and employees possessing relevant information available for interview. Justice Manual § 9-47.120-3(b).

Across its prosecuting units and matters, "deconfliction" is one factor the Department may consider in appropriate cases in evaluating whether and how much credit a company will receive for cooperation. Justice Manual § 9-47.000-4. In FCPA cases, in fact, deconfliction of witness interviews and deferral of other investigative steps "will be required for a company to receive maximum credit for full cooperation . . . ." Justice Manual § 9-47.120-3(b) (incorporating terms of FCPA Pilot Program, made permanent Nov. 29, 2017). Companies in FCPA matters will remain eligible for *some* cooperation credit provided they meet the criteria of Justice Manual 9-28.700 (which covers deconfliction generally, not limited to FCPA matters), but "the credit generally will be markedly less than full cooperation . . . ." Justice Manual § 9-47.120-4.

Against this formal policy backdrop, anecdotal evidence suggests deconfliction requests have become increasingly common in recent years. *See* Adam Dobrik, "DOJ 'deconfliction' requests creating tension," Global Investigations

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HOWARD M. ULLMAN

On ANTITRUST

Howard M. Ullman

Over the past few years, there has been a good deal of discussion and debate about the nature and extent of antitrust regulation, particularly in connection with "high tech" or online markets. As just a few recent examples, last fall a subcommittee of the House Judicial Committee issued a report with recommendations entitled "Investigation of Competition in Digital Markets," and regulators at the enforcement agencies have been discussing the competitive significance of "big data," online platforms, and vertical integration. Moreover, Senator Amy Klobuchar, the top Democrat on the Senate Judiciary subcommittee on antitrust, recently introduced a new bill that would amend the Clayton Act to make purportedly anti-competitive mergers more difficult, including by establishing several categories of mergers that would pose an antitrust risk. The bill would also substantially increase the federal antitrust enforcement agencies' budgets. It is fair to say that we are seeing the most robust thinking about or rethinking of antitrust issues in many years. One of the more interesting recent proposals actually links antitrust and tax law. Although this column takes no position on that proposal, it is sufficiently novel and interesting to relate the central idea here.

The proposal comes from Paul Romer, a Nobel prize-winning economist at New York University. He outlined it recently in a talk at the University of Chicago's Stigler Center for the Study of the Economy and the State. Professor Romer posits three factors or developments that call for a new approach to regulation. First, he argues that there has been a recent "phase change" – due to developments in technology, competition in many markets has now become "winner takes all."

Second, when firms become "asymptotically" large, they can harm efficiency as that term is broadly defined. And Romer defines it to include not only purchasing power but also the benefits the market as a whole derives from democracy and the rule of law, both for their own sake but also in terms of their instrumental value in protecting systems that enable the markets to run.

Third, and relatedly, Romer argues that market and political power are intrinsically linked. Large firms can evade regulation, or depending upon the market in which they operate, even more directly affect political discourse. And so Romer argues that antitrust policy should be modified to take both economic and political liberty into account.

Because Romer has administrability concerns about judicial remedies (he thinks courts, especially appellate courts, are reluctant to impose robust structural relief, and he also thinks that courts find it difficult to distinguish between "lawful" and "unlawful" behavior of very large firms), his proposal is for a "Pigovian" tax – that is, a progressive marginal tax tied to the scale of the regulated firms. So, for example, the government (and here, Romer means the legislature) could set a tax that starts at 0% but then ramps up to 10% or 20% (or higher if appropriate) based on the firm's sales or revenues. The idea is that the tax creates diminishing returns from scale and discourages firms from becoming "too big." (Any such tax would have to be imposed on firm sales or revenues, rather than profits, because it is essentially impossible to determine where geographically the profits are earned.)

Romer recognizes that legislatures themselves may have difficulty regulating large companies, but he thinks that the legislature is the best-situated of the three branches of government. He also notes that every state has its own legislature, and that states may be able to function as "democratic laboratories" to impose different taxation systems.

There are, of course, a number of potential responses to Romer's proposal, many of which he has anticipated or addressed. For example, one could criticize the proposal as a "tax on success." Moreover, it is not at all clear how to establish the tax rates to ensure that they adequately reflect appropriate and pro-competitive economies of scale. It is also not clear how a proposal limited to one economy (i.e., the United States) could adequately address competitive

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James Yoon

On PATENTS

James Yoon

2020 was a challenging year in patent litigation. In the midst of the COVID pandemic, with the exception of jury trials, patent litigators and courts continuously adapted to changing conditions and safety requirements to move patent cases forward effectively. In a difficult year, it was great to see how professional, cooperative, and understanding lawyers could be to one another (while zealously advocating for their clients). As a group, we recognized that everyone faced family, health, and safety issues which transcended the scheduling and logistical disputes that are common in all forms of civil litigation. In twenty-five years of practice, it was the highest level of cooperation and civility I have ever seen. The conduct of patent litigators towards each other, the courts, and clients was a definite bright spot in an otherwise difficult year.

The statistics for 2020 are surprising. In 2020, there was a 12% increase in new patent cases. This increase impacted many companies, regardless of size or litigation proclivity. In 2020, the number of different parties/entities participating in patent litigation increased over 28% when compared to 2019. The large surge in patent cases was led by the Western District of Texas which saw a 199% increase in the number of new patent cases filed in the district. The surge made Judge Albright the top patent judge in the United States, at the helm of almost 18% of new patent cases filed in 2020. The increase in patent litigation was not limited to the filing of new cases. The overall docket activity of patent cases increased as well. For example, there was a 17.9% increase in claim construction hearings in 2020. 2020 saw the largest number of claim construction hearings since 2016.

2020 demonstrated the power and flexibility of technology. Patent litigators working from home (and separate from their clients and litigation team members) consistently demonstrated an ability to litigate cases at the highest levels of activity and excellence. Video hearings, Zoom settlement conferences, and remote depositions became a fact of life. All discovery became e-Discovery. Protective orders were modified to recognize that it was no longer possible to limit access to highly sensitive documents such as source code to "the offices of outside counsel." Litigants had to work together to protect the confidentiality of client documents and permit lawyers and experts to conduct review remotely and/or electronically. Indeed, at one point in 2020, Law.com reported that the number of video depositions had grown by 400%. In short, 2020 demonstrated that virtually all aspects of patent litigation practice (with the notable exception of jury trials) could be done remotely and virtually.

Moving past 2020, it will be interesting to see (in 2022 or 2023) how much of patent litigation reverts back to traditional "in person" hearings, conferences, depositions, and meetings and how much remains "virtual." One of the lasting legacies of 2020 will be honest discussions among clients, firms, lawyers, and courts on how to strike an appropriate balance between the "in person" and "virtual" practice of patent litigation (and law in general).

The pandemic did have a negative impact on the ability of parties to obtain judgments and verdicts at the district court level. Jury trials were uniformly delayed and rescheduled. There was no way to predict when, or if, a case could be ready for trial. This pattern of delay and rescheduling of trials has continued in 2021. It is unlikely that "normal" levels of jury trials will return in patent litigation before 2022. The disruptions caused by the pandemic also affected the ability of parties to resolve cases by summary judgment. From 2019 to 2020, there was a more than 50% reduction in the number of summary judgments granted in patent cases. This large drop in summary judgment is likely due to the delays and extensions in fact discovery caused by the pandemic. 2021 will likely see a return to a normal level (if not an increase) in summary judgments in patent cases.

From a professional practice standpoint, one of the biggest challenges in 2020 was the career development of new and junior patent litigators. These litigators were particularly hard hit in 2020. They lost out on many training and mentoring opportunities. One-on-one in-person training and mentoring cannot be replaced with Zoom and online content. It is essential to the development of new and junior litigators that they have in-person interaction with their partners and their

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A Tribute To Mary Jo Shartsis

Former ABTL President Mary Jo Shartsis passed away on January 2, 2021, from Alzheimer's. We take this moment to honor her memory and to recognize her tremendous and lasting contributions to the San Francisco legal community.

A woman of great intelligence and style, Mary Jo's life was a testament to the American Dream. Raised by a single mother in South Gate, California, she worked her way through high school and college, eventually graduating from U.C. Berkeley. Working as a secretary at the Berkeley Law School while in college, because of her obvious ability and intelligence, she was encouraged to attend Berkeley Law by a number of faculty members when there were very few women attending law school. She distinguished herself academically, serving on the Law Review.

Mary Jo went on to be one of the pioneers of women in the law. She was the second woman to be asked to work for the very prominent McCutchen firm in San Francisco, focusing on antitrust litigation. In 1975, along with her husband and Robert Charles Friese, she founded Shartsis Friese LLP, which became one of the premier mid-sized firms in the country. She practiced at the firm for over 40 years, specializing in large scale complex litigation. She served as the President of the Berkeley Law School Alumni Association, was on the Dean search committee, represented the Law School on the U.C. Berkeley Foundation, and headed the Boalt Hall Fund. In 2020, she received the Citation Award, Berkeley Law School's highest alumni honor.

Mary Jo also served as Chair of the Board of the Legal Aid Society of San Francisco and President of the Association of Business Trial Lawyers of San Francisco. She was active in Democratic politics, with a focus on increasing the role of women in politics. She was a co-author of Matthew Bender's Federal Pretrial Civil Procedure in California. The American Jewish Committee presented her with the prestigious Learned Hand Award. Mary Jo travelled with judge and lawyer delegations to a number of foreign countries to present American approaches to the law to prominent judges in those countries.

Mary Jo was a devoted wife and mother to her three sons. In the summers she would go with her family to their cabin on the North Fork of the Snake River in Eastern Idaho to fly fish for trout. On weekends and holidays her family would spend time in the Napa Valley, where they grew world class Cabernet Sauvignon in the vineyard they owned together with life-long friends. A brilliant chef, Mary Jo would always provide wonderful meals. When the Shartsis home burned in the Oakland Fire, she still managed to maintain the stability of family life during the one year transition to a new home.

Mary Jo was charitable and compassionate. She was deeply offended by social injustice, and encouraged all around her to become involved in their respective communities. Her philosophy of giving led her law firm to repeatedly be recognized as one of the most charitable businesses in the Bay Area.

To honor her continuing legacy, donations in her memory may be made to the Legal Aid Society of San Francisco, an organization to which she was deeply committed.

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amount and leave the issue of attorneys fees for a judicial determination on proper motion.

Succinctly stated, motions that are well-written, supported by good research and good declarations, and avoid claiming reimbursement for duplicative or unnecessary work have the best chance of receiving generous reimbursement of attorneys fees.

Since judges are supposed to include words of wisdom, I offer the following. On my tentative ruling webpage, I provide two quotes. The first one is: "The opposing counsel on the second-biggest case of your life will be the trial judge on the biggest case of your life – common wisdom." The second is: "[A]s Shakespeare observed, it is not uncommon for legal adversaries to 'strive mightily, but eat and drink as friends.' (Shakespeare, The Taming of the Shrew, Act I, scene ii)." Being prudent and straightforward and honest in attorneys fees requests may have benefits down the road.

A. Attorneys Fees Motions in General

1. The Judge's Obligation to "Do the Work"

As a general proposition, it is the Court's obligation to review the supporting documents and the basis for challenges to the claimed fees. The experienced trial judge is the best judge of the value of professional services rendered in his or her court, and while his or her judgment is of course subject to review, it will not be disturbed unless the appellate court is convinced that it is clearly wrong. *See Goglin v. BMW of North America, LLC*, 4 Cal. App. 5th 462, 470-471 (2016).

"[T]rial courts have a duty to determine whether a cost is reasonable in need and amount. However, absent an explicit statement by the trial court to the contrary, it is presumed the court properly exercised its legal duty." *Ross v. Superior Court*, 9 Cal. 3d 899, 913 (1977); *Thon v. Thompson*, 29 Cal. App. 4th 1546, 1548-1549 (1994).

In *Acosta v. SI Corp.*, 129 Cal. App. 4th 1370 (2005), there was a statement by the trial court to the contrary and the denial of fees was reversed by the Court of Appeal: "At oral argument, the trial court referred to the motion to tax and stated 'What I don't want to do, . . . is go through this individually. I have done that too many times, and it's just as tedious as can be. I will do it if I have to, but I don't want to.' The matter was taken under submission. The trial court later denied the motion to tax costs in its entirety and did not specifically address the costs challenged by plaintiffs. Under these circumstances, we cannot say that the court fulfilled its obligation to determine whether SI was entitled to the disputed cost items. We remand for that determination."

2. The Entitlement to Fees

On occasion, I do happen to see a request for fees without reference to the enabling authority. Counsel should always refer to the authorization for attorneys fees and quote the language of the case or statute as much as possible when making the request. As with any other motion, counsel should also refer to the applicable burden of proof.

3. The "Prevailing Party"

A prevailing party is entitled to recover costs in any action or proceeding, except as otherwise expressly provided by statute. California Code of Civil Procedure §§ 1021, 1032(b), 1033.5. These costs, however, do not include the attorney fees the prevailing party has incurred in the litigation unless (1) an agreement between the parties provides for the recovery of those fees, or (2) a statute creates a right of recovery. *de la Carriere v. Greene*, 39 Cal. App. 5th 270, 275 (2019).

It is surprising how often a party claiming an entitlement to attorneys fees spends little effort establishing that it is the prevailing party. Even if the claim of fees is based on a provision in a promissory note, fees may be disallowed unless there is a final judgment on the merits. Further, amendments to statutes and changes of case law might create ambiguities concerning the entitlement to attorneys fees. For example, in *Samuels v. Sabih*, 62 Cal. App. 3d 335 (1976), dismissal was based on the failure of the

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plaintiff to bring the matter to trial within five years. Therefore, there was an entitlement to fees under California Code of Civil Procedure §1717. But that statute was later amended and subsequent case law tweaked the definition of "prevailing party." Whether or not the tweak affected the right to attorneys fees may still be unclear. *See Hsu v. Abbara*, 234 Cal. App. 4th 863, 872 (1995).

Additionally, a party seeking fees might be in for disappointment if a jury awards $10,000 where the pretrial demand was $1 million and the offer was $100,000. If fees are not outright denied, the judge may be inclined to slash the claimed fees mightily.

B. Calculation of Fees

Many fee-shifting statutes have a formula for the calculation of damages. However, many others do not specify how attorneys fees should be calculated.

1. Lodestars and Multipliers

California courts determine fee enhancements under the rule stated in *Ketchum v. Moses*, 24 Cal. 4th 1122 (2001). Under the "lodestar" or "touchstone" approach, the court calculates base amounts from a combination of time spent and reasonable hourly compensation of each attorney and then adjusts the base amounts by a multiplier in light of various factors. *Serrano v. Priest*, 20 Cal. 3d 25, 48-49 (1977). I will look at the lodestar as the basic fee for comparable legal services in the community, and then adjust it based on factors including (1) the novelty and difficulty of the questions involved, (2) the skill displayed in presenting them, (3) the extent to which the nature of the litigation precluded other employment by the attorneys, and (4) the contingent nature of the fee award. *Ketchum*, 24 Cal. 4th at 1132.

But lodestars are not the only focus. "[W]e are not mandating a blanket 'lodestar only' approach; every fee-shifting statute must be construed on its own merits and nothing in Serrano jurisprudence suggests otherwise." *Laffitte v. Robert Half Internat. Inc.*, 1 Cal. 5th 480, 500 (2016) (internal citations omitted).

There are several services such as the Laffey Matrix which purport to compute average rates charged by attorneys in a particular geographic area. Seeing between 25 and 30 law and motion matters a week also gives me a good idea as to what is reasonably charged.

In *Weeks v. Baker & McKenzie*, 63 Cal. App. 4th 1128, 1171 (1998), it was held that the trial court's use of a multiplier of 1.7 to enhance fees awarded in an action under the Fair Housing and Employment Act was not justified. The action did not involve novel or complex issues, the attorneys did not have to demonstrate extraordinary skills, and both plaintiff and her attorneys were fully compensated for their efforts. But nothing in *Weeks* forecloses an enhancement for risk contingency. *See Ketchum*, 24 Cal. 4th at 1131-32; *Leuzinger v. County of Lake*, 2009 U.S. Dist. LEXIS 29843.

A court may actually decrease the lodestar amount in a proper case. "The Bank's argument is that the amount of time Kassof spent on the case was unreasonable in the circumstances and unproductive, and that even before it was enhanced by the application of a multiplier, the lodestar calculation produced a manifestly unjustified award. In effect, the Bank claims not only that the factors justifying use of a multiplier to enhance the lodestar figures are wholly missing, but that the unjustified duplication of work that took place requires a negative multiplier decreasing the lodestar. We agree." *Thayer v. Wells Fargo Bank*, 92 Cal. App. 4th 819, 834 (2001).

"The reasonable market value of the attorney's services is the measure of a reasonable hourly rate. This standard applies regardless of whether the attorneys claiming fees charge nothing for their services, charge at below-market or discounted rates, represent the client on a straight contingency fee basis, or are in-house counsel." *See Nemecek & Cole v. Horn*, 208 Cal. App. 4th 641, 651 (2012). "There is no requirement that the reasonable market rate mirror the actual rate billed." *See Syers Properties III, Inc. v. Rankin*, 266 Cal. App. 4th 691, 701-702 (2014) (finding the trial court did not abuse discretion by

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adopting reasonable hourly rate that was more than "the actual rates billed the insurance company footing the bill for the defense.").

Multipliers have their place and purpose in certain types of high risk litigation where there has been little precedent. Most of the time, however, explanations for unreasonable multipliers wind up being a distraction where there was nothing unique about the litigation.

2. Doing the Math

A verified fee bill is prima facie evidence the costs, expenses, and services listed were necessarily incurred. *Hadley v. Krepel*, 167 Cal. App. 3d 677, 682 (1985). A declaration attesting to the accuracy of the fee bill is entitled to a presumption of credibility. *Horsford v. Board of Trustees of California State University*, 132 Cal. App., 4th 359, 396 (2005).

But a presumption is just that, a presumption. "In the rebuttal of a presumption it is not necessary to produce preponderant evidence to overcome it. A presumption is overcome if sufficient evidence is introduced to balance the presumption." *Odden v. County Foresters, Firewardens and County Fire Protection District Firemen's Retirement Board of Los Angeles County*, 108 Cal. App. 2d 48, 50 (1951).

3. Thoughts on the Reasonableness of the Claimed Fees

"However, while meager fee awards to successful counsel may discourage able counsel from engaging in many forms of public interest litigation that should be encouraged, the unquestioning award of generous fees may encourage duplicative and superfluous litigation and other conduct deserving no such favor." *See Thayer*, 92 Cal. App. 4th at 839; *Donahue v. Donahue*, 182 Cal. App. 4th 259, 271 (2010) ("[r]easonable compensation does not include compensation for 'padding' in the form of inefficient or duplicative efforts") (citing *Ketchum*, 24 Cal. 4th at 1131-32). Counsel should not be encouraged to over-litigate claims for the purpose of driving up the settlement, believing their tactics will be rewarded with a fee award. *See Cowan v. Superior Court*, 14 Cal. 4th 367, 392 (1996) ("A rule that creates a perverse set of incentives is untenable.").

I look at the litigation history and consider the amount of work undertaken prior to the resolution of the lawsuit. On the one hand, a party "cannot litigate tenaciously and then be heard to complain about the time necessarily spent by the plaintiff in response." *Serrano v. Unruh*, 32 Cal. 3d 621, 638 (1982); *City of Riverside v. Rivera*, 477 U.S. 561, 580 fn.11 (1986). "Obviously, the more stubborn the opposition the more time would be required . . . ." *Wolf v. Frank*, 555 F.2d 1213, 1217 (5th Cir. 1977). "Those who elect a militant defense ... [are responsible for] the time and effort they exact from their opponents." *Perkins v. New Orleans Athletic Club*, 429 F. Supp. 661, 667 (E.D.La.1976); *see Weeks*, 63 Cal. App. 4th at 1175-1176.

A fee request that appears unreasonably inflated is a special circumstance permitting the trial court to reduce the award or deny one altogether. *See Chavez v. City of Los Angeles*, 47 Cal. 4th 970, 989-991 (2010); *Serrano*, 32 Cal. 3d at 635; *Guillory v. Hill*, 36 Cal. App. 5th 802, 806 (2019). In such an evaluation, this Court may consider "factors such as the complexity of the case and procedural demands, the skill exhibited and the results achieved." *Goglin*, 4 Cal. App. 5th at 470.

In *Chavez*, the California Supreme Court unanimously affirmed that, "[a] fee request that appears unreasonably inflated is a special circumstance permitting the trial court to reduce the award or deny one altogether." 47 Cal. 4th at 989-91. That holding broke no new ground. *Chavez* relied upon *Serrano*, 32 Cal. 3d at fn.21 (citing federal cases holding that, under the "unreasonably inflated" rule, fees can be denied where, among other circumstances, (1) the "initial claim is 'exorbitant' and time unreasonable"; (2) the fee claim is "overreaching"; or (3) the request was "unreasonable" and the documentation "inadequate"). *Chavez* also relied on *Ketchum*, 24 Cal. 4th at 1137. *Chavez* was the first time the high court applied that rule to entirely deny fees. The California

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on companies' relationships with their contractors over the last few years – from *Dynamex* in 2018, to AB 5 in 2019, to Proposition 22 in 2020 – there is also an increasing risk that a contractor may claim to be an "employee" for purposes of other Labor Code benefits, such as overtime and break periods. This article explains WMFH Clauses, the pros and cons of including them in contractor agreements, and how to minimize the risk that a contractor will claim the myriad employee benefits that often underlie the desire to hire contractors in the first place.

A. Ownership of the Work of Independent Contractors

Independent contractors provide an important source of labor for many companies needing specialized, discrete work that is outside the usual scope of their business. Usually, the parties will enter into an independent contractor agreement that governs the relationship, including the ownership of the materials created by the contractor in providing the requested services.

Under the United States Copyright Act of 1976, 17 U.S.C. § 101 *et seq.* ("the Act"), where the agreement is silent as to ownership of such created materials (or no such written agreement exists), ownership will vest in the contractor and not transfer to the employer. 17 U.S.C. § 203. All is not lost in such situations, as controlling case law makes clear that the employer would still be able to use the materials under a non-exclusive implied license, and that the license would be irrevocable since it was supported by consideration. *Asset Marketing Systems, Inc. v. Gagnon*, 542 F.3d 748, 754-757 (9th Cir. 2008). That said, the lack of exclusivity, as well as the lack of clarity concerning the scope of the employer's use permitted under the license, weigh against reliance on such rights.

For this reason, employers are wise to include language positing rights in the contractor's work product in the employer. There are two main mechanisms to do so: (i) a WMFH Clause and (ii) an assignment.

1. Works Made for Hire

Under U.S. copyright law, works made for hire are automatically owned by the employer. As such, the employer is deemed the author and there are no additional concerns about ownership or use. That said, not all works by independent contractors qualify to be deemed works made for hire. Indeed, the Act provides that only the following types of works by independent contractors qualify:

- contributions to collective works;
- portions of audiovisual works;
- translations;
- supplementary works;
- compilations;
- instructional texts;
- tests;
- answer materials for tests; and
- atlases.

17 U.S.C. § 101. To be sure, very few of the works for which independent contractors are hired fall into one of these enumerated categories. Where rights are purportedly transferred using a WMFH Clause, ownership of a work that does not qualify as a WMFH would thus remain with the independent contractor. In such situations, the second mechanism – assignment – is required to shift ownership to the employer.

2. Assignments

Copyright is freely transferable so long as the transfer is in writing and signed by the owner of the rights conveyed. 17 U.S.C. §§ 201, 204. Although the employer would not be deemed the "author" under such a transfer, it would gain all of the rights under copyright law. There is, however, one twist

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that differentiates an assignment from the ownership resulting from a WMFH: the author (or the author's heirs) may terminate any assignment at any time during the five-year period beginning at the end of the thirty-fifth year after the transfer. 17 U.S.C. § 203. This right to terminate may not be contracted away or waived in advance. *Id.*

The practical implications of this termination right are tempered by the fact that it is effective only as to rights in the originally-transferred work, and the assignee would still be permitted to use new works it created based on or otherwise using the assigned work (though no new "derivative works" could be created after termination). Additionally, many works will not have a useful life of greater than 35 years. Moreover, the termination requires action by the contractor. Very few such individuals are likely to have any interest in terminating the assignment after 35 years, and even fewer would be familiar with the Act's provisions regarding termination rights.

Because the associated risk of using an assignment rather than a WMFH Clause is thus limited, assignment is the employer's best option for taking ownership of the rights it needs. Yet, to maximize their intellectual property rights and options, many employers draft independent contractor agreements to include both a WMFH Clause and an assignment clause, the latter being triggered where the work at issue is deemed not to be a work made for hire. This approach ignores a significant downside to using the term "work made for hire" that can create unexpected issues for employers.

B. Implications of Using WMFH Clauses in Contractor Agreements

Multiple California statutes provide that using a WMFH Clause in an independent contractor agreement transforms the contractor into a "statutory employee." First, for purposes of the state Workers' Compensation law:

> Employee includes … [a]ny person while engaged by contract for the creation of a specially ordered or commissioned work of authorship in which the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire, as defined in Section 101 of Title 17 of the United States Code, and the ordering or commissioning party obtains ownership of all the rights comprised in the copyright in the work.

Cal. Lab. Code § 3351.5(c). Further, under the California Unemployment Insurance Code (governing entitlement to both unemployment and disability insurance benefits):

> "Employer" … means any person contracting for the creation of a specially ordered or commissioned work of authorship when the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire, as defined in Section 101 of Title 17 of the United States Code, and the ordering or commissioning party obtains ownership of all of the rights comprised in the copyright in the work. The ordering or commissioning party shall be the employer of the author of the work for the purposes of this part.

Cal. Unemp. Ins. Code § 686. And under the same code, "Employee" includes "[a]ny individual who is an employee pursuant to Section … 686." *Id.* § 621(d).

The upshot is that employers must obtain workers' compensation, disability, and unemployment insurance for their independent contractors who have signed an agreement with a WMFH Clause. Failure to do so subjects the employer to criminal and civil penalties. Cal. Lab. Code § 3700.5; Cal. Unemp. Ins. Code § 2122. As with other misclassification claims, whether the agreement refers to the worker as an independent contractor does not matter – the status can still be legally challenged.

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C. Are Statutory Employees Entitled to Any Other Employee Rights and Benefits?

Another question that arises is whether this conversion to "statutory employee" triggers rights to any other employee benefits (*e.g.*, overtime protections, meal and rest breaks, compliant wage statements). Surprisingly, while law journal articles have long raised that possibility, there is practically no case law on the subject. The only mention of the concept occurs in an unreported California appellate court decision, *Barry v. Twentieth Century Fox Film Corp.*, No. B221785, 2011 WL 4360994, at *8 (Cal. Ct. App. Sept. 20, 2011). The Barry court refused to consider the legal merits of the "statutory employee theory under section 3351.5" because appellants first raised the argument on appeal. The trial court below had briefly considered the theory, but ruled that "defendants fail to present any authority to support their position that, when a person signs such an agreement, the agreement overrides any evidence that the person was actually an independent contractor." The trial court thus disagreed with Barry's argument that an independent contractor could transform into an employee purely by signing a WMFH Clause.

The trial court's reasoning seems consistent with the plain meaning of the California statutes, which specially define "employee" and "employer" for purposes of the respective workers' compensation, disability, and unemployment insurance sections. It seems unlikely that the legislature intended a federal copyright principle to automatically transform workers into employees for all state-law purposes; if it did so intend, the legislature likely would have said so. This idea that workers can be statutory employees for certain rights and benefits but not others is also consistent with IRS guidance on Statutory Employees, which states that workers can be both independent contractors under the common law ***and*** "treated as . . . statutory employees . . . for certain employment tax purposes" if they meet a set of listed requirements, thus requiring that businesses withhold Social Security and Medicare taxes from only certain statutory employees' wages.

Yet, given the dearth of case law and increasing focus on the classification of independent contractors versus employees in the gig economy, plaintiffs and/or state agencies involved in administering and enforcing proper worker classification may spring into action. In 2018, the California Supreme Court adopted the "ABC" test to determine proper worker classification under California's Wage Orders, a significantly more stringent standard than the former Borello test. *See Dynamex Operations West, Inc. v. Superior Court*, 4 Cal. 5th 903 (2018). With AB 5, the California legislature codified the ABC test and expanded its application to the entire California Labor Code (while exempting specified occupations, which remain subject to the *Borello* test). Cal. Lab. Code § 2775. To classify a worker as an independent contractor under the ABC test, a hiring entity must demonstrate (among other things) that the worker is "free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact." Cal. Lab. Code § 2775(b)(1)(A). Thus, in addition to claiming that "statutory employees" are entitled to employment benefits beyond workers' compensation, disability, and unemployment insurance, plaintiffs' attorneys may argue that WMFH Clauses (or other broad intellectual property assignments) reflect a significant level of control over the worker, thereby evidencing that the worker should be classified as an employee.

D. Employers' Options for Minimizing Risks of Employee Claims

Notwithstanding the aforementioned risks and the absence of case law on this topic, employers have several options for maintaining intellectual property ownership without undermining independent contractor classification. One obvious option is to abstain from including WMFH Clauses in independent contractor agreements, instead requiring the contractor to assign ownership of all deliverables to the creator. The risk of this strategy, as discussed above, is that the creator can terminate the assignment

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after 35 years. But this risk is less of an issue for works to be used for a limited period and/or those commissioned from entities (which would logically not qualify for the benefits available to statutory employees) rather than individuals.

Where working with an individual, the company can include a WMFH Clause but add language specifying that the creator is a statutory employee *only* for workers' compensation, disability, and unemployment insurance purposes, and is not otherwise an "employee." While not dispositive, this would be one factor a court or agency would consider in determining employee status for other purposes. Additionally, the company could specify that the contractor retains some limited rights in and to the copyright interest, as a way to avoid triggering Section 3351.5(c) and Cal. Unemp. Ins. Code § 686 – both of which purport to apply if the commissioning party obtains ownership of ***all*** the rights comprised in the copyright. For example, if the contractor retains some level of ownership in the work (*e.g.*, a license to reproduce the commissioned work for non-commercial promotional purposes), arguably Sections 3351.5(c) and 686 would not apply.

Of course, whether or not a company includes a WMFH Clause, it should always ensure that other features of the agreement (and actual practice) are consistent with contractor treatment under the ABC test (or, for occupations exempted by AB 5, the *Borello* test). Whichever approach companies take, they should do so after careful balancing of the above considerations on a case-by-case basis, rather than (as many companies do) using the same template agreement across the board.

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On Antitrust

concerns if companies are not similarly regulated worldwide. And, in terms of administrability, if firms really are so dominant as to have power within the political system, why would one expect that they would not be able to successfully oppose any taxation proposal?

Again, the point of this discussion is neither to endorse nor to reject Romer's nascent taxation proposal. Rather, it is to illustrate that after several decades in which antitrust was dominated by "Chicago school" type economic thinking with a narrow focus on efficiency as measured by consumer pricing, we are now seeing a number of new proposals to reframe the discussion, either to take into account other types of efficiencies or to advocate for new regulatory approaches or mechanisms. The next five or so years will undoubtedly be a very interesting era for antitrust law in the United States.

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Winning Attorneys Fees Motions: The Good, the Bad, and the Ugly

Supreme Court held the trial court correctly awarded zero to the prevailing party because plaintiff had succeeded only on a "single claim," and that "the amount of time an attorney might reasonably expect to spend in litigating such a claim" was low, given "the amount of damages awarded." *Chavez*, 47 Cal. 4th at 990-91.

The case of *Morris v. Hyundai Motor America*, 41 Cal. App. 5th 24 (2019), is instructive. In that automobile lemon law matter, the Court of Appeal upheld the trial court's reduction of an attorney fee award based on size of settlement. Further, the trial court's refusal to award fees for six of the eleven attorneys working on case was an appropriate remedy for overstaffing. Finally, the plaintiff failed to establish that the trial court lacked a reasonable basis for reducing hourly rates.

Yet "proportionality," or computing the attorneys fees award based on the net recovery, has been disfavored. For example, it has been held to be inappropriate and an abuse discretion to tie an attorney fee award to the amount of the prevailing buyer/plaintiff's damages or recovery in a Song-Beverly Act action. A rule of proportionality would make it difficult for individuals with meritorious consumer rights claims to obtain redress from the courts when they cannot expect a large damages award. *See Morris*, 41 Cal. App. 5th at 35; *City of Riverside*, 477 U.S. at 561 (the Court sustained a fee award of $245,456.25, even though the plaintiffs had received a total award of only $33,350 in compensatory and punitive damages; the Court rejected the argument of the petitioners, and the United States as amicus curiae, that attorneys fees in civil rights cases should be analogized to fees in tort cases and should be proportionate to the amount of recovery).

Many years ago, I heard a claim by the plaintiff's attorney for attorneys fees and costs in the amount of $18,028.20 where the settlement was for $8,000.00. The defense attorney showed that the complaint and all of the discovery for which the attorney claimed authorship was in fact copied verbatim from an attorney in another part of the state in an unrelated case. I agreed with the defense that there was little evidence to justify the claimed fees. I used a variant of a theme of proportionality and awarded 1/3 of the $8,000 settlement or the sum of $2,666.66, plus any costs recognized by the California Code of Civil Procedure. The Court of Appeal reversed my decision without any reference to the factual determination of duplication of effort from another attorney in another case.

I do not see how an attorney can justify more than an hour to review a file and send out a set of form interrogatories. I have seen bills where a lawyer claimed three hours for doing just that. Additionally, I am always suspicious of extensive time billed for attorneys in the firm to confer with each other, or multiple attorneys billing substantial time at different rates (junior associate, senior associate, junior partner and senior partner) for garden-variety motions. Billing for multiple attorneys appearing at law and motion matters as well as case management conferences will be frowned upon. And, yes, I have seen bills where attorneys claimed fees for appearances in court when the courts were closed.

I am more comfortable looking at number of hours times hourly rate. Flat rate or "value" billing is problematic but I have allowed it where there was a reasonable explanation for that method of billing and the bill itself was not shocking. Again, salesmanship is key.

As noted in *Ketchum*, 24 Cal. 4th at 1122, awarding statutory fees in the case, while allowing a contingency fee as a civil penalty enhancement, clearly rewards and incentivizes Plaintiff's counsel to over-litigate and to continue to employ intentional stalling and delay tactics, including ignoring good faith settlement offers, in pursuit of enhanced and unwarranted damages.

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U.S. Department of Justice's Deconfliction Policy – Ripe for Review

Review (Sept. 15, 2017); William F. Johnson, "DOJ's Increasing Involvement in Internal Investigations," New York Law Journal (Jul. 5, 2017); Lanny A. Breuer and Mark T. Finucane, "DOJ 'Deconfliction' Requests: Considerations and Concerns," Law360.com (Mar. 1, 2017). This is true across many subject matter areas (*e.g.*, securities, FCPA, money laundering). And this is despite the fact that certain DOJ officials and other commentators have opined that deconflictions requests should be used sparingly. *See*, *e.g.*, Roger Hamilton-Martin, "Leslie Caldwell: 'deconfliction' requests should be rare," Global Investigations Review (Apr. 28, 2016).

B. Corporate Right to Counsel and Related Protections

Business entities, like individuals, have a Sixth Amendment right to counsel. *United States v. Rad-O-Lite of Philadelphia, Inc.* 612 F.2d 740, 743 (3d Cir. 1979) (holding that "the guarantee of effective assistance of counsel applies to corporate defendants"); *United States v. Unimex, Inc.*, 994 F.2d 546, 549 (9th Cir. 1993) (reversing a corporation's conviction for conspiracy and money laundering because it was denied its right to counsel under the Sixth Amendment). In many states and under prevailing DOJ practice, one aspect of the company's right to counsel is that any government request to speak with a current company employee should be routed through company counsel, and counsel has a right to be present at the government's interview of the employee. This is also a feature of the represented party rule in many state rules of practice. *See, e.g.*, Cal. Rules Prof. Conduct 2-100(b)(1) (2018); NY Rules Prof. Conduct 4.2 cmt. 7 (2009); DC Rules Prof. Conduct 4.2 cmt. 3 (2007); *accord* Model Rules of Prof'l Conduct 4.2 (Am. Bar Ass'n 1983). A core rationale for this rule is that employee statements can be attributed to the company as admissions, and accordingly the company is a represented party even if the employee is not represented individually.

A company's right to counsel and counsel's need to do his or her job often (if not always) require that counsel interview employee witnesses in the course of investigating the facts and advising a company on how to handle a government investigation. Typically, counsel will want to do so before the government interviews the employee. Doing so beforehand is valuable in order to prevent surprises, to ensure the employee understands his or her obligations with respect to and the parameters for a government interview (*e.g.*, truthfulness, a foundation of personal knowledge), to assuage employee anxieties about the process, and for many other reasons. Likewise, company counsel would want to be present when the government interviews the employee, in large part because the employee's statements can be used against the company and counsel has a right to be present when those statements are made.

Interviewing the employee first and being present during the interview by the Department, however, can be irreconcilable with a deconfliction request. This places counsel in a very difficult position. Either counsel stands down, remains less informed, lets the government proceed, and risks the employee making unfounded statements that could be attributed to the corporation; or, counsel speaks with witnesses, learns the facts, vets the employee's knowledge and credibility, and attends the Department's interview of the employee, but risks losing cooperation credit for the corporate client. Should it be this way?

C. In Tension with Precedent

In at least two analogous instances – where corporate Constitutional or other fundamental rights were at stake – the government or the judiciary has protected those rights. Most obviously, until 2008, DOJ policy permitted the government to assign cooperation credit to corporate privilege waivers. That policy became the subject of significant practitioner and commentator criticism on grounds that the policy pressured corporations to waive their fundamental right under the Sixth Amendment to seek counsel and maintain privilege over related discussions

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U.S. Department of Justice's Deconfliction Policy – Ripe for Review

and work product. *See* Filip Memorandum at 8 (discussing criticism from "a wide range of commentators and members of the American legal community and criminal justice system"). In part based on that criticism, the Department changed the policy on August 28, 2008, by way of the so-called Filip Memorandum, which emphasized the "extremely important function" of attorney-client privilege and work product protections and stated that "eligibility for cooperation credit is not predicated upon the waiver of attorney-client privilege or work product protection." *Id.* That Filip Memorandum dictate remains DOJ policy today, and there is no sign of it changing in future. Prosecuting attorneys now toe the line and take care not to state or even imply that an assertion of privilege will, in their eyes, diminish the value of a company's cooperation.

In another relevant scenario, *United States v. Stein*, the judiciary weighed in, prohibiting the government from conditioning cooperation credit on a company not indemnifying employees for their costs and attorneys' fees. 435 F. Supp. 2d 330 (S.D.N.Y. 2006), *aff'd*, 541 F.3d 130 (2d Cir. 2008). In *Stein*, a company facing a criminal tax investigation adopted a policy which conditioned, capped and then altogether ceased the advancement of legal fees for certain employees who ultimately were criminally indicted. 541 F.3d at 135-36. The U.S. District Court for the Southern District of New York, and later, the U.S. Court of Appeals for the Second Circuit, found that absent government pressure, the company would have continued to pay the employees' legal fees and expenses without regard to cost. *Id.* The court held that the government's influence satisfied the Constitutional state action requirement and that the government unjustifiably interfered with the employees' right to counsel and violated the Sixth Amendment in so doing. *Id.* On that basis, the court dismissed (and later affirmed the dismissal of) the employees' indictments. *Id.* In response, the government revised its policy, also by way of the Filip Memorandum. *Id.* at 136-37; *see also* Filip Memorandum at 13. The current policy is that, absent use of attorney fee indemnification to obstruct justice, in assessing corporate cooperation, "prosecutors should not take into account whether a corporation is advancing or reimbursing attorneys' fees or providing counsel to employees" and "prosecutors may not request that a corporation refrain from taking such action." Justice Manual § 9-28.730.

In short, in two instances similar to deconfliction, the government and the judiciary have recognized that the government must not take steps to chill either a company's or its employees' Constitutional rights, and especially not the Sixth Amendment right to counsel. With deconfliction, however, the government thus far has taken a different stance, and deconfliction requests have become commonplace. As noted, the Justice Manual expressly states that deconfliction is one factor in evaluating cooperation credit, and for FCPA cases, it states that deconfliction is required whenever it is requested, for full cooperation credit.

There is a clear tension between DOJ's current deconfliction policies and practices and other Constitutionally protective positions the Department and the judiciary have taken. And there is tension between current deconfliction policies and the Sixth Amendment right to counsel. This tension warrants DOJ reassessment of its deconfliction policies. Alternatively, if challenged, courts may need to weigh in.

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C. Conclusion

In the end, I try to keep an open mind to recognize the value and effort that attorneys put into their cases. At the end of the day, good documentation and well-written papers are key to a good outcome.

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On Patents

clients. In 2021 and 2022, firms, clients and senior patent litigators should make extra efforts to train and mentor new and junior attorneys. Firms and partners need to take steps now to overcome any training and experience "gaps" created by the pandemic. Law is a talent business and we don't want a "lost" generation of patent litigators.

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