LITIGATION MANAGEMENT IN A NEW YORK MINUTE

2018 EDITION

AUGUST 3, 2018 **THE CITY BAR BUILDING**

THE NETWORK TRIAL.COM

Our mission is straightforward: Connect the world's leading corporations with world-class legal experts. It is this driving force that has led us to over 5,000 attorneys in 22 separate and independent trial law firms practicing in over 120 offices throughout the United States.

Founded in 1993, The Network of Trial Law Firms, Inc. remains committed to the art of strengthening strategic business relationships amongst the country's leading trial law firms. To that end, our meticulously selective membership process is centered on smart growth. A brief glance at our membership will show preeminent legal representation within key geographical jurisdictions. Leading publications and legal awards consistently recognize our members as dominant in their respective fields.

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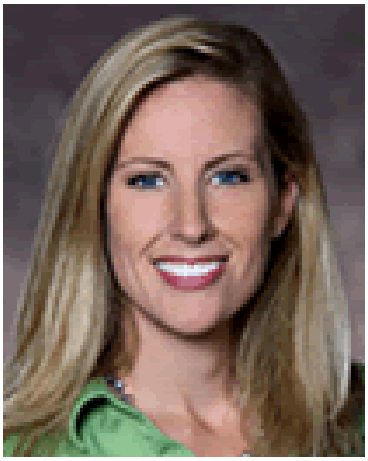

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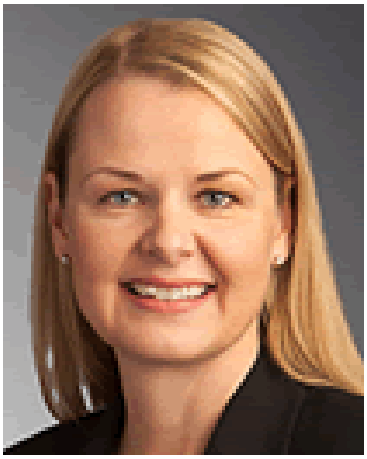

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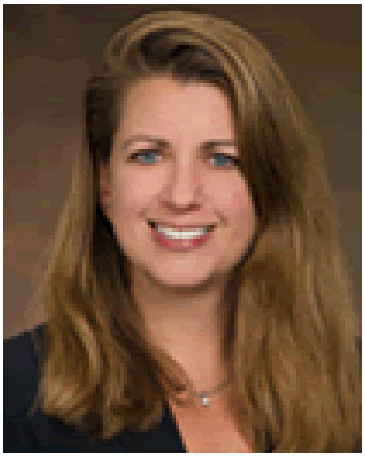

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Bass Berry & Sims
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Felice Wagner
Executive Director
and General Counsel

Edd Schillay
Director of
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NETWORK MEMBER FIRM PROFILE

FLORIDA

We collaborate with the world's most successful enterprises and entrepreneurs to navigate change, seize opportunities, and overcome barriers to innovation and growth. Within our communities, we work to create better opportunities for the future. Akerman is a client-driven enterprise, recognized by Financial Times as among the most forward thinking law firms in the industry. We are known for our results in middle market M&A and complex disputes, and for helping clients achieve their most important business objectives in the financial services, real estate, and other dynamic sectors. We are ranked among the top 100 law firms in the United States, Our inclusive culture impacts the way we see the world and deliver results. We are a perpetual insurgent, infusing startup agility with nearly a century of enterprise stability and we try not to take ourselves too seriously along the way.

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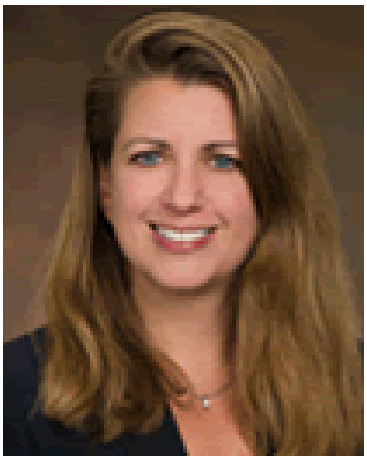
With more than 300 attorneys representing numerous publicly traded companies and Fortune 500 businesses, Bass, Berry & Sims PLC has been involved in some of the largest and most significant business transactions and litigation matters in the country. Bass Berry & Sims' Litigation & Dispute Resolution Practice Group is built on great reputations in corporate and securities, government investigations, healthcare, financial services and commercial litigation. From that foundation, the firm is especially focused on significant and growing areas of litigation that affect clients, and align with unique strengths.

bassberry.com



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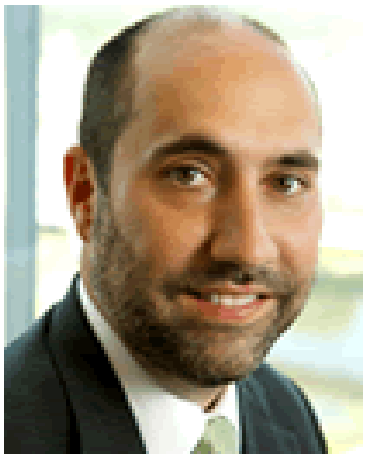

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NETWORK MEMBER FIRM PROFILE

MICHIGAN

Based in Troy, Michigan, Bush Seyferth & Paige PLLC is a specialized firm providing national-caliber litigation services with trial skills second to none. Some of America's best-known companies look to BSP for successful results in complex commercial, employment, class-action, and tort litigation. This distinctive litigation practice applies aggressive advocacy to resolve claims or disputes. BSP attorneys are trial experts who meet challenges confidently, rather than pushing to settle. BSP blends world-class capabilities with the agility, personal attention, and efficiency of a boutique firm. The firm's high-profile trial experience in state and federal courts from coast to coast includes first-chair corporate defense work, class actions, and product-liability matters.

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NETWORK MEMBER FIRM PROFILE

WASHINGTON

Corr Cronin Michelson Baumgardner Fogg & Moore LLP is recognized as one of the premier trial law firms handling major cases in Washington, Oregon, Alaska, and Idaho for clients of all sizes – from individuals and regional companies to Fortune 500 corporations. For two decades, Corr Cronin has set the standard for high-stakes litigation in the Pacific Northwest. Attorneys are consistently ranked among the best in their field, and the firm is recognized time and again as one of the top litigation firms in Seattle. Founded by former big law partners, Corr Cronin combines the sophistication and expertise of a big firm with the lean and client-centered focus of a boutique.

corrcronin.com

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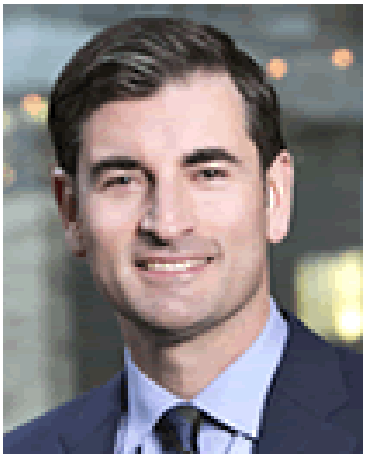

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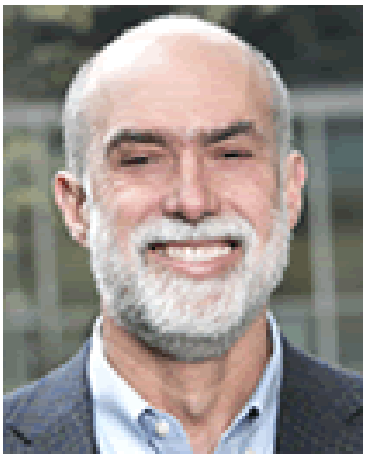

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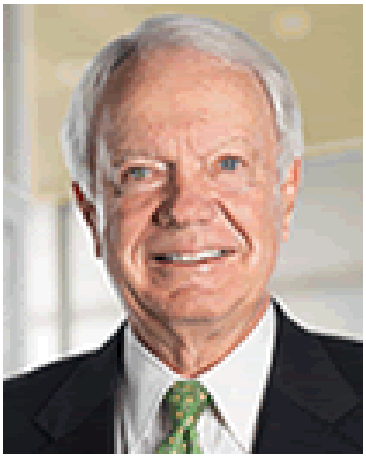
LOUISIANA

Founded in New Orleans in 1926, Deutsch Kerrigan LLP is built on the foundation of being problem-solvers, applying enduring principles of craft to serve clients effectively and efficiently. The firm is committed to providing a sensible approach to litigation to its local, regional, and national insurers, corporations, and Fortune® 500 clients. Using a sensible approach to litigation, Deutsch Kerrigan helps clients resolve disputes by balancing desired business outcomes with what is smart economically. Attorneys relentlessly move cases forward to keep cases in the “red zone” where matters get resolved and cases don’t collect dust.

deutschkerrigan.com



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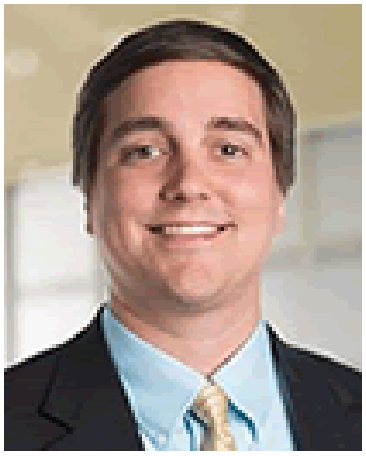

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CALIFORNIA

Farella Braun + Martel LLP is a leading Northern California law firm representing corporate and private clients in sophisticated business transactions and complex commercial, civil and criminal litigation. Clients like our imaginative legal solutions and the dynamism and intellectual creativity of our lawyers. The attorneys in each practice group work cohesively in interdisciplinary teams to advance the clients' objectives in the most effective, coordinated and efficient manner. Founded in 1962, we are headquartered in San Francisco and maintain an office in the Napa Valley that is focused on the wine industry.

fbm.com

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NETWORK MEMBER FIRM PROFILE

MISSISSIPPI

Forman Watkins & Krutz LLP ("Forman Watkins") is a general litigation firm with a strong emphasis in multi-district tort, environmental, and complex commercial litigation. Founded in 1986 in Jackson, Mississippi, the Firm has continuously provided clients with consistency, efficiency, and economic savings by pioneering innovative and creative solutions to national litigation management. The litigation team at Forman Watkins delivers solutions. Some of our solutions are traditional, most are creative, all are specifically designed to achieve the most successful outcome in the most economical way possible. We are known for our aggressive but thoughtful approach to litigation, and we bring technology, trial experience, and subject matter expertise to every case. Our practice areas include complex commercial litigation, lender liability, insurance coverage, employment litigation, personal injury, product liability and professional liability.

formanwatkins.com

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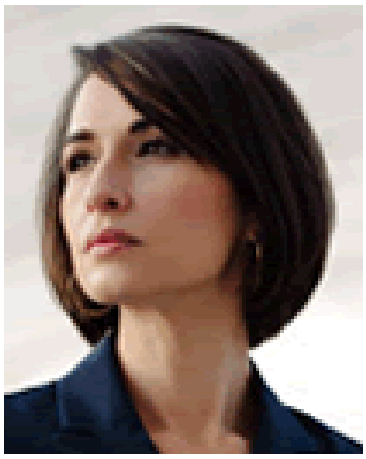

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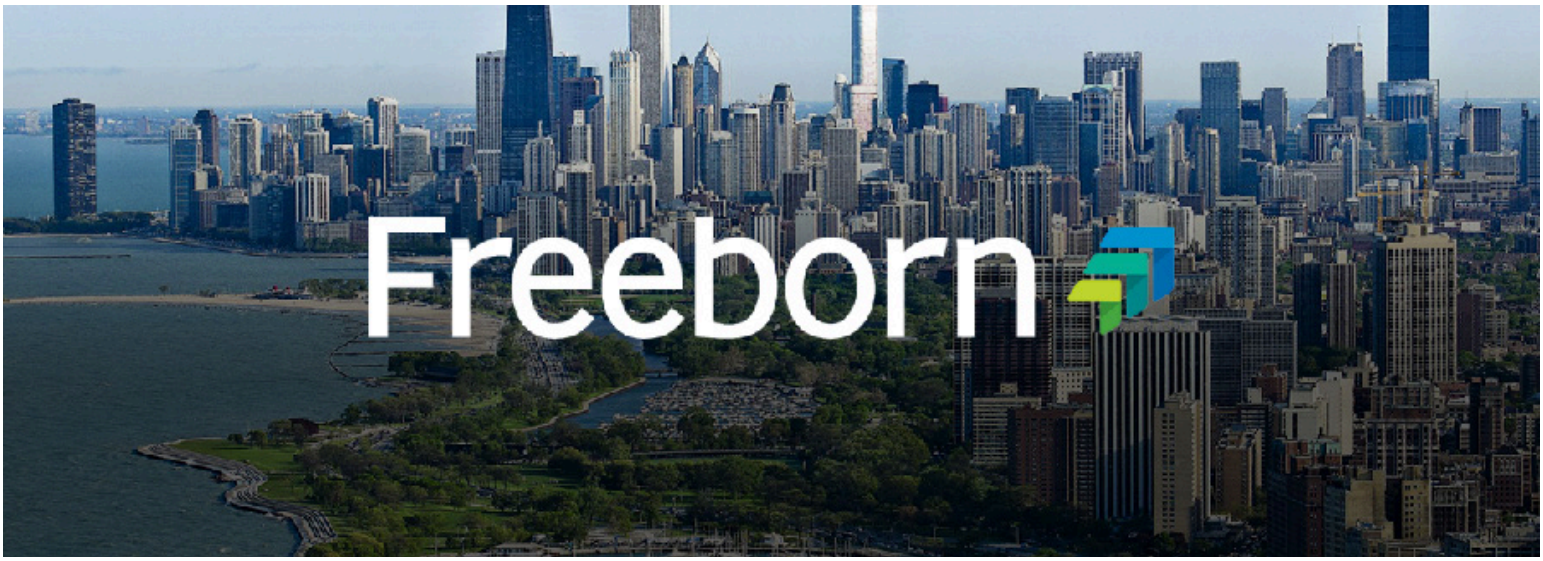

NORTHERN ILLINOIS, CENTRAL ILLINOIS

A litigation powerhouse, Freeborn has more than 60 litigators in its Chambers-ranked Litigation Practice Group. Known for its deep bench of experienced trial lawyers who handle all areas of complex disputes and litigation, we vigorously advocate for our clients in such areas as antitrust, insurance and reinsurance, product liability, breach of contract, intellectual property, restrictive covenants, labor and employment, professional liability, class actions, and securities, among many others. In addition, our in-house E-Discovery Lab is recognized as a trailblazing innovation among law firms for its high-quality, low-cost approach to the preservation, review and production of electronically stored information.

freeborn.com

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NETWORK MEMBER FIRM PROFILE

PENNSYLVANIA

Founded in 1926, Gibbons is ranked among the nation's top 250 firms by The National Law Journal. The firm provides transactional, litigation and counseling services to leading businesses regionally, nationally and internationally. The firm's 200+ attorneys counsel businesses and business owners in all legal areas including Business & Commercial Litigation, Corporate, Criminal Defense, Employment Law, Financial Restructuring & Creditors' Rights, Government Affairs, Intellectual Property, Products Liability, and Real Property & Environmental.

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NETWORK MEMBER FIRM PROFILE

MARYLAND

Founded in 1988, Goodell, DeVries, Leech & Dann specializes in litigation and litigation management. The diversity of the specialized knowledge of the firm's lawyers allows complex litigation matters to be handled by an interdisciplinary team of lawyers able to contribute specific individual skills as needed. At the same time, the depth of litigation experience among the individual attorneys helps to avoid overstaffing litigation matters. This flexibility in staffing, combined with a commitment to controlled, quality growth, permits Goodell, DeVries, Leech & Dann to provide effective representation at a reasonable overall cost.

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SOUTH CAROLINA

The Hood Law Firm, LLC is a boutique trial law firm. Established in 1985 by Robert H. Hood, Sr., the Hood Law Firm has grown to more than 25 lawyers who are dedicated to providing their clients with top-quality trial litigation services in state and federal courts. For over thirty years, the Hood Law Firm, LLC has consistently maintained its focus on trial practice. This singular focus serves the firm's clients well whether a good result is defined as early resolution, verdict or appeal. The Hood Law Firm, LLC represents individuals and corporate clients throughout the country in addition to serving as national trial counsel. As a trial law firm, the scope of practice for the firm is broad including, but not limited to, product liability, drug and medical device litigation, professional negligence, commercial litigation, maritime, construction litigation, nursing home litigation, Section 1983 claims and insurance coverage and bad faith.

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NETWORK MEMBER FIRM PROFILE

ALABAMA

Lightfoot, Franklin & White represents clients in litigation, compliance and investigations across the country. Selected by Benchmark Litigation as the “2017 Alabama Firm of the Year,” the firm’s 65 lawyers represent industry-leading American and multinational companies across a broad range of sectors, including many members of the Fortune 500. The Chambers USA Leading Law Firm has six partners who are Fellows of the American College of Trial Lawyers, one of whom is founding partner Sam Franklin, the current ACTL president. Lightfoot’s lawyers regularly handle cases involving insurance and financial services, healthcare and energy, white collar and internal investigations, product liability and catastrophic injury, collegiate athletics, pharmaceuticals and the media.

lightfootlaw.com

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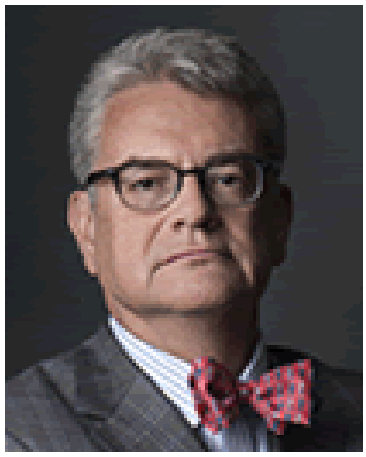

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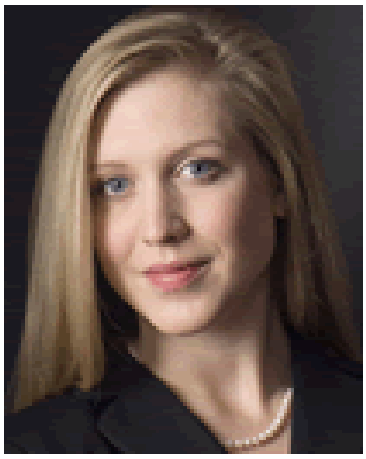

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NETWORK MEMBER FIRM PROFILE

MINNESOTA

Business Smart. Litigation Strong. Global-leading manufacturers, financial institutions, utility companies, corporate, and individual clients regularly turn to Maslon for representation across a broad spectrum of commercial cases. Through decades of dedicated work, the firm has earned a reputation for being the lawyers to trust with the most complex legal issues and high-stakes litigation matters. Maslon is nationally recognized in the areas of Tort & Product Liability, Business Litigation, Construction Litigation, and Appeals. Chambers USA recognized Maslon as one of only four select firms to receive the highest possible ranking for Litigation in Minnesota -- based on extensive client interviews and research to assess technical legal ability, professional conduct, client service, commercial astuteness, diligence, commitment, and other qualities most valued by clients.

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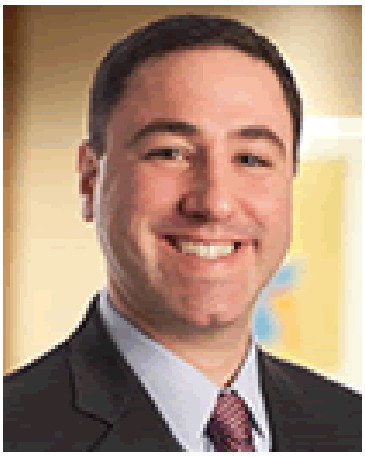

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NORTH CAROLINA

Moore & Van Allen conducts a broad civil litigation practice. The firm is experienced in all alternate forms of dispute resolution, including mini-trials, mediation, and arbitration. Attorneys provide preventive counseling and litigation services on contract disputes; bankruptcy; lender liability; employment matters; product liability; construction disputes; entertainment; securities; franchising; collection of foreign debts and execution of foreign judgments in North Carolina; intellectual property disputes, including trade secrets, patents, trademarks and copyrights; environmental matters, including toxic torts; unfair trade practices, including antitrust, tying agreements, competitive bidding practices, promotional programs and practice, and exclusive dealing arrangements; confidentiality agreements; medical malpractice; suretyship; tax and estate matters; and title matters.

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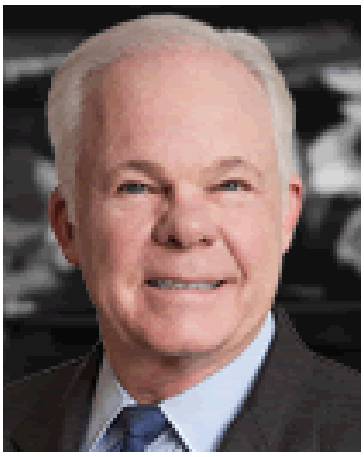

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NEW YORK, MASSACHUSETTS

While some firms possess litigators, few offer experienced and proven trial lawyers that keep clients trial-ready for any challenge across a broad spectrum of practices. Nixon Peabody is one of the few firms with the experience and capability—and successful trial results—to serve as trial counsel for clients who require a consistent approach to class action and aggregate litigation matters. Nixon Peabody LLP is recognized as a “Global 100” law firm—one of the largest in the world. The firm’s size, diversity, and advanced technological resources enable it to offer comprehensive legal services to individuals and organizations of all sizes. Clients include emerging and middle-market businesses, national and multinational corporations, financial institutions, public entities, educational and not-for-profit institutions, and individuals.

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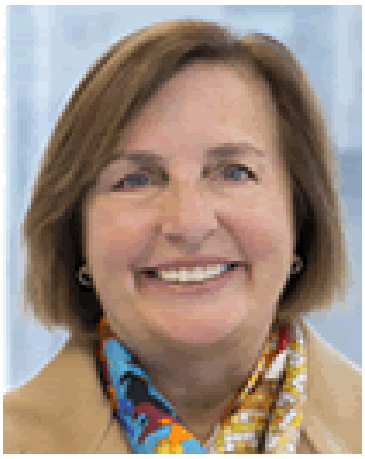

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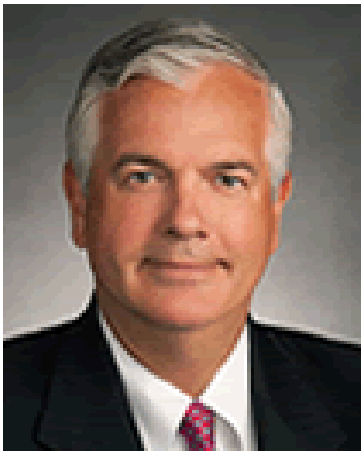
TEXAS

We are courtroom lawyers, focused upon trials, appeals, arbitrations, and advocacy in all forums. Today's business leaders need advocates skilled in resolving complex and costly business disputes. Our lawyers fit the bill. We have handled thousands of cases and appeared in hundreds of courtrooms and arbitral forums, across the nation. We have a keen understanding of judges, juries, arbitrators, and other decision makers. We rest our cases upon a firm legal foundation. We present the facts and law of each dispute simply, convincingly. Our clients include Fortune 500 companies and other significant businesses and institutions. We work in small teams, honoring the Texas tradition of "One riot – – One Ranger". We strive for early analysis, planning, economy, and resolution in each case. We also provide pre-litigation counseling – – to help clients avoid litigation or prepare for a coming storm.

pmmclaw.com



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NETWORK MEMBER FIRM PROFILE

NEW JERSEY

Founded in 1962, Porzio, Bromberg & Newman, P.C. is a cutting-edge law firm representing a wide variety of industry sectors. With over 80 lawyers throughout offices in Morristown and Princeton, NJ, New York City, Washington, DC, and Westborough, MA, the firm is committed to serving clients, providing high quality work and achieving results. Porzio provides a broad array of litigation, corporate, transactional and counseling services to clients ranging from Fortune 500 corporations to individuals to public entities.

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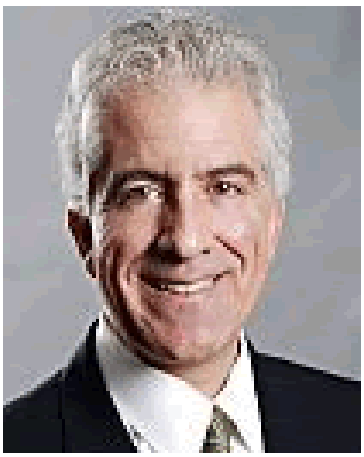

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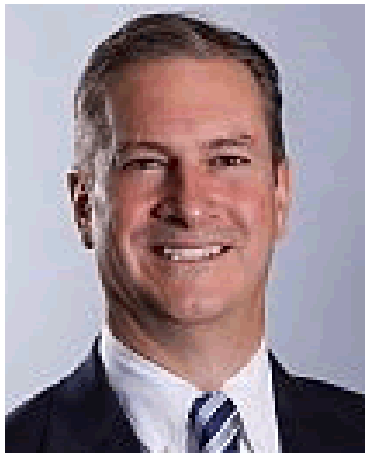

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NETWORK MEMBER FIRM PROFILE

MISSOURI, KANSAS, SOUTHERN ILLINOIS

Sandberg Phoenix includes more than 125 attorneys offering services in more than 35 areas of law, covering medical malpractice, professional malpractice, products liability, insurance defense, business litigation, transactional, wealth/estate planning and trusts, and more. The firm includes clients from across the country and is recognized as being extremely effective in providing local/regional counsel in Missouri, Southerm Illinois and Kansas. Sandberg Phoenix is built on a values driven foundation and was one of the first U.S. firms to offer clients a service guarantee. Structured with the goal of providing clients with strategic local representation, the firm includes offices in St. Louis, Clayton and Kansas City Missouri; Alton, Edwardsville, O'Fallon and Carbondale, Illinois; and Overland Park, Kansas.

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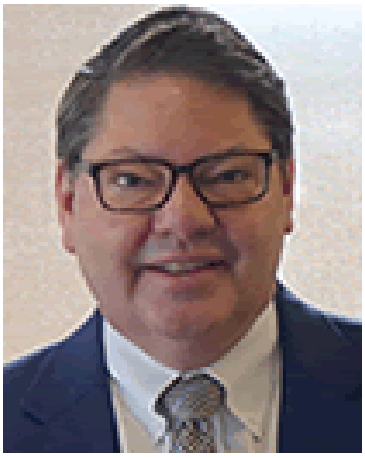

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NETWORK MEMBER FIRM PROFILE

ARIZONA, UTAH

For more than seventy years, Snell & Wilmer has been dedicated to providing superior client service. As a result, the firm has earned a reputation for providing clients with what they value – exceptional legal skills, quick response and practical solutions delivered with the highest level of professional integrity. Snell & Wilmer's attorneys and staff continue to be strongly committed to these objectives. Founded in 1938, the firm represents clients ranging from large, publicly traded corporations to small businesses, individuals and entrepreneurs. As a large, full-service firm, Snell & Wilmer provides the competitive advantage of having the ability to call upon the diverse experience of our attorneys to address the particular and evolving legal issues of any engagement.

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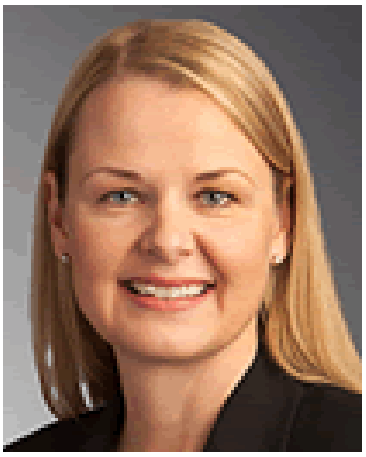

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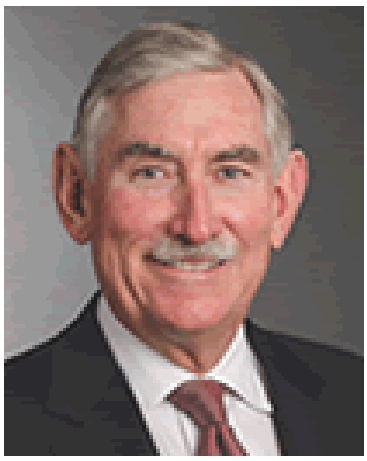

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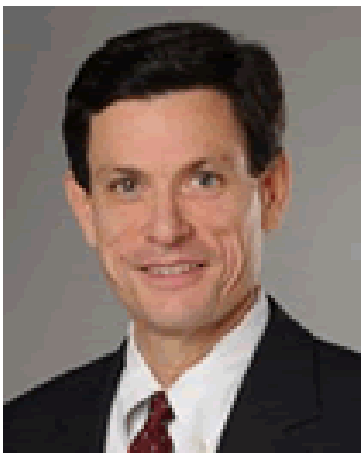

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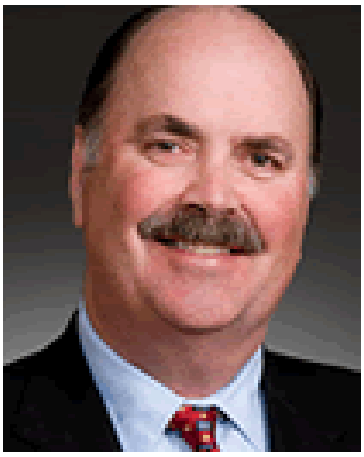

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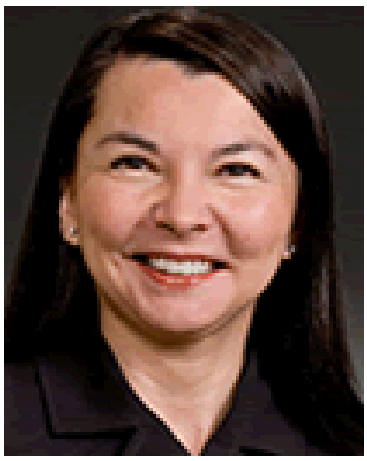

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VERDICT VIGILANCE: PREVENTING, SPOTTING AND PRESERVING VERDICT-RELATED ISSUES

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Verdict Vigilence: Preventing, Spotting, and Preserving Verdict-Related Issues
Stephanie A. Douglas, Jessica V. Currie, and Grant A. Newman

"We operate under a jury system in this country," wrote humorist Dave Barry, "and as much as we complain about it, we have to admit that we know of no better system, except possibly flipping a coin." This may resonate with some attorneys, especially after a perplexing verdict at the end of years in litigation. Nobody doubts the incredible amount of attention and stamina a trial demands. And for many, submitting the case to the jury marks the first opportunity to come up for air. But jury deliberation and verdict rendering are loaded with importance—just ask an appellate attorney. You must be equipped to prevent, spot, and preserve verdict-related issues timely and effectively.

Familiarize yourself with common verdict-related issues.

In a single moment, a jury can return a verdict with logically inconsistent factual findings. Reider v. Philip Morris USA, Inc., 793 F.3d 1254, 1259 (11th Cir. 2015). Or a jury could compromise by awarding low damages to resolve a disagreement over liability. Phav v. Trueblood, Inc., 915 F.2d 764, 768 (1st Cir. 1990). You may also encounter jury polling issues, confusing verdict forms, and attempted verdict impeachments. Whatever the variety, this much is clear: responding quickly and effectively to jury issues is no easy task. Someone on the trial team must be prepared to spot them and spring into action.

Questions to avoid an inconsistent verdict:

- Does the verdict form present any risk for jury confusion or invite inconsistent findings?
- Do the facts allow the jury to find one defendant liable, but not the other? Or causation for one claim, but not the other?
- What kind of clarifying instruction could I recommend to the judge?

The signs of an inconsistent verdict tend to be visceral, like when a jury's finding on one claim "negates an element of another cause of action against the same defendant." In re Vivendi Universal, S.A. Sec. Litig., 765 F. Supp. 2d 512, 549–50 (S.D.N.Y. 2011) (collecting cases), aff'd sub nom., 838 F.3d 223 (2d Cir. 2016).

Drafting a verdict form that prevents inconsistent verdicts is always the goal. But even with a clear form, trial counsel must watch for signs that the jury was confused. The Eleventh Circuit's recent ruling in Christiansen v. Wright Med. Tech., Inc., 851 F.3d 1203 (11th Cir. 2017), shows just how quickly circumstances can change due to such confusion—a cautionary tale for defendants. In this bellwether trial for metal hip implants, the jury

returned a verdict finding that the device was not defectively designed. But the jury ignored the verdict form's "stop here" instruction, and went on to make nine other findings and award damages against the defendant for negligent misrepresentation. Id. at 1206–07.

The trial judge spotted the issue and stopped his clerk's announcement of the verdict after the first question. The defendant moved the court to accept the jury's answer to the first question and enter judgment in its favor. The court denied the motion, finding that the jury misunderstood the form's instructions. Id. at 1208. When the jury remained confused, with counsel's consent, the court revised the "stop here" instruction, attached an explanatory note to the form, and recharged the jury to resume deliberations. Things worsened when the jury told the court it could not reach a verdict because a juror refused to continue deliberations. Id. at 1209. Again without objection, the court dismissed the accused juror for being "unwilling to follow the instructions on the verdict sheet." Id. at 1211. To the defendant's chagrin, the jury returned half an hour later with the opposite answer to the design-defect question and larger compensatory and punitive damage awards. The Eleventh Circuit upheld the rulings, finding that "the district court acted in a neutral and non-biased manner in acknowledging and addressing the inconsistent verdict," which could not be reconciled in a "rational, non-speculative way." Id. at 1214–15.

In Tanno v. S.S. President Madison Ves, the Ninth Circuit addressed whether a jury's explanation of its damages calculation on the verdict form revealed an inconsistent verdict requiring a new trial. 830 F.2d 991, 993 (9th Cir. 1987). Was the jury's explanation "responsive to the questions asked," or just an "attempt to explain [its] mental processes"? Although the court was "not entirely free from doubt," it upheld the district court's denial of Tanno's motion for a new trial; the notes were "surplusage" and the form itself suggested no inconsistency. Id.

The Ninth Circuit later cited Tanno to address a situation in which jurors ignored instructions. In Floyd v. Laws, the jury listed a damages amount on the verdict form despite a "stop here" instruction, like in Christiansen. 929 F.2d 1390 (9th Cir. 1991). But unlike in Christiansen, the Floyd court disregarded the damages figure as surplusage, and the Ninth Circuit affirmed. Id. at 1399–1400. Nevertheless, some courts "consider unsolicited jury answers or statements if they cast doubt on the unqualified nature of the verdict." Riddle v. Tex-Fin, Inc., 719 F. Supp. 2d 742, 750 (S.D. Tex. 2010) (collecting cases).

Questions to avoid a compromise verdict:

- How close are the liability questions?
- Did the jury raise a question that suggests they are deciding something outside or in violation of their instructions?
- Is the jury taking an unusually long (or short) amount of time relative to the number or complexity of the issues presented?

The telltale signs of a compromise verdict are inadequate damages, a close liability question, and an odd chronology of jury deliberations. Phav, 915 F.2d at 768; see Brunet v. Clear Towing, Inc., 1997 WL 240750, at 1–2 (E.D. La. May 8, 1997) (listing seven factors). But there are few hard rules for demonstrating a jury compromise.

The Eighth Circuit, for example, has both rejected and sustained compromise-verdict arguments that the jury returned a verdict too quickly. Cf. Am. Home Assur. Co. v. Greater Omaha Packing Co., 819 F.3d 417, 428 (8th Cir. 2016) (rejecting); Hous. 21, L.L.C. v. Atl. Home Builders Co., 289 F.3d 1050, 1056 (8th Cir. 2002) (sustaining). Jury questions may be powerful evidence of a compromise. For example, in the Southern District of New York, after 10 hours of likely "heavily contested" deliberations for a two-and-a-half-day trial, the jury asked the court "whether they had to fill out the entire verdict form," and then returned a verdict just one hour later. Rosenberg v. Aeschliman, No. 02 CIV. 7922 (RPP), 2004 WL 1252951, at *4 (S.D.N.Y. June 7, 2004). The court concluded that the speed at which the jury completed the lengthy verdict form after asking its question indicated that the jury "did not thoroughly deliberate over each question, but rather reached a compromise verdict." Id.

If you spot an issue on the verdict form, during jury deliberations, or in the verdict itself, raise

it immediately by motion or objection. And be prepared to recommend curing instructions or further deliberations, in case the judge spots an issue sua sponte.

Position yourself for appeal.

Questions to preserve your appellate record:

- How might a jury answer the verdict questions inconsistently, and under which of those circumstances will you want the jury to correct it?
- What issues might confuse a jury, and what damages amount might suggest a compromise?
- How will a reviewing court, who did not facilitate the trial firsthand, perceive the circumstances?

Remember: the trial judge is not your only audience. If your case is likely to go up on appeal, seize opportunities to shape the soon-to-be static "surrounding circumstances of the case." 9B C. Wright & A. Miller, Fed. Prac. & Proc. § 2510 (3d ed.). Most critically, preserve the issue for appeal with a properly-timed objection or motion. Whether orally or in writing, make a record of the relevant legal authority that requires the judge to address the issue immediately, and seek the opportunity to brief the issue fully. This is not the stage of the trial to worry about offending the judge or being perceived as delaying the proceedings. You are speaking to the panel of appellate judges who will determine whether you properly preserved and argued the issue. Both the timing and substance of the argument are important.

Pitfalls abound, so preparation is key. Before the trial starts, take note of relevant jury-verdict rulings and prepare reasonable objections that track with them. In the Sixth Circuit, for example, the failure to timely "enter an objection to the special verdict form returned by the jury before the jury was discharged" constitutes waiver because the trial court is deprived of "the opportunity to correct discrepancies, if any existed, in the form of the verdict returned by the jury." Radvansky v. City of Olmsted Falls, 496 F.3d 609, 618–19 (6th Cir. 2007) (emphasis added; collecting cases). The trial court is unlikely to be reversed if it didn't have the chance to resubmit a question to the jury for clarification. See, e.g., J-Way Leasing, Ltd. v. Am. Bridge Co, 500 F. App'x 365, 371–72 (6th Cir. 2012); Baisden v. I'm Ready Prods., Inc., 693 F.3d 491, 506–07 (5th Cir. 2012).

To avoid waiver, avoid conflating the distinct legal concepts. In Reider, 793 F.3d at 1256–57, for instance, the Eleventh Circuit held that a post-trial inconsistent-verdict argument did not preserve "the separate and legally distinct claim that the verdict was the result of an unlawful jury compromise." See also Matter of Magnesium Corp. of Am., 682 F. App'x 24, 29 (2d Cir. 2017), cert. denied sub nom., Renco Grp., Inc. v. Buchwald, 138 S. Ct. 329 (2017) (treating defendants' conflation of inconsistent and compromise verdict as fatal).

The vigilant lawyer should not only know when and in what form to object if a verdict issue arises, but should also consider drafting and rehearsing arguments for the most likely scenarios before they are needed. Typically, an inconsistent verdict must be raised before the jury is discharged, while a compromise verdict can be raised post trial. But a muddled argument risks an incorrect ruling, like in Jones-El v. Roper, No. 4:05CV28 CDP, 2008 WL 2682600, at *2 (E.D. Mo. June 27, 2008) (rejecting compromise-verdict argument because party did not raise it "prior to the jury's discharge").

Be cognizant of the possible scope of a retrial.

Questions to consider on retrial:

- Is the entire verdict infected by the verdict issues, or can single issues be separated out for retrial?

After a successful objection to a problem verdict, if the jury cannot cure it, retrial may be required. The scope of a retrial may depend entirely on whether you properly preserved the verdict issues. The trial court could also change its mind and alter the scope of retrial before the parties appeal. In Mitchell v. AbbVie Inc., for example, after a jury awarded $0 compensatory and $150 million in punitive damages, the court originally ordered a single-issue retrial on damages, but recently superseded that order after determining that the original verdict was inconsistent, and required a retrial on all issues. No. 1:14-cv-09178 (N.D. Ill.). At the retrial, the jury

awarded the plaintiff $200,000 and $3 million in compensatory and punitive damages, respectively. Id.

The stakes can be particularly high for defendants facing the prospect of a damages-only retrial after a compromise verdict, mainly because a second jury will likely deliver an award higher than the first one that reached a compromise. To be sure, under binding Supreme Court precedent and consistent with the Seventh Amendment, partial retrials are presumptively unconstitutional unless "it clearly appears that the issue to be retried is so distinct and separable from the others that a trial of it alone may be had without injustice." Gasoline Prods. Co. v. Champlin Refining Co., 283 U.S. 494, 500 (1931). But in the nearly 100 years since Gasoline Products, the circuits have split on its application.

Most have faithfully applied Gasoline Products. Those courts treat partial retrials as presumptively impermissible and allow them only when the party seeking retrial identifies a troublesome jury issue "so distinct and separable from the others" that it alone can be retried without injustice. See, e.g., Collins v. Marriott Int'l, Inc., 749 F.3d 951, 960 (11th Cir. 2014); Pryer v. C.O. 3 Slavic, 251 F.3d 448, 455 (3d Cir. 2001); Lucas v. Am. Mfg. Co., 630 F.2d 291, 294 (5th Cir. 1980); Diamond D Enters. USA, Inc. v. Steinsvaag, 979 F.2d 14, 17 (2d Cir. 1992); Skinner v. Total Petroleum, Inc., 859 F.2d 1439, 1445–46 (10th Cir. 1988). But a minority of circuits turn the presumption on its head, treating partial retrials as presumptively permissible and allowing them unless the party opposing the partial retrial clearly demonstrates a compromise verdict. See Boesing v. Spiess, 540 F.3d 886, 889 (8th Cir. 2008); Phav v. Trueblood, Inc., 915 F.2d 764, 767 (1st Cir. 1990); Spell v. McDaniel, 824 F.2d 1380, 1400 (4th Cir. 1987); Carter v. Chicago Police Officers, 165 F.3d 1071, 1083 (7th Cir. 1998).

As the above illustrations show, a member of your trial team should become familiar with verdict issues of all kind, both at the trial and appellate levels. Verdict vigilance turns a good trial strategy into a great one, and ultimately protects your client's interests, which sit delicately on the razor's edge of jury deliberation.

000250433

JURY SUMMONS
Oakland County, Michigan

Your GROUP NUMBER is: 0011 **Service Date:** August 3, 2018

Verdict Vigilance:
Preventing, Spotting, and Preserving Verdict-Related Issues

Stephanie A. Douglas
Bush Seyferth & Paige PLLC

! NOTICE !
DATE OF SERVICE
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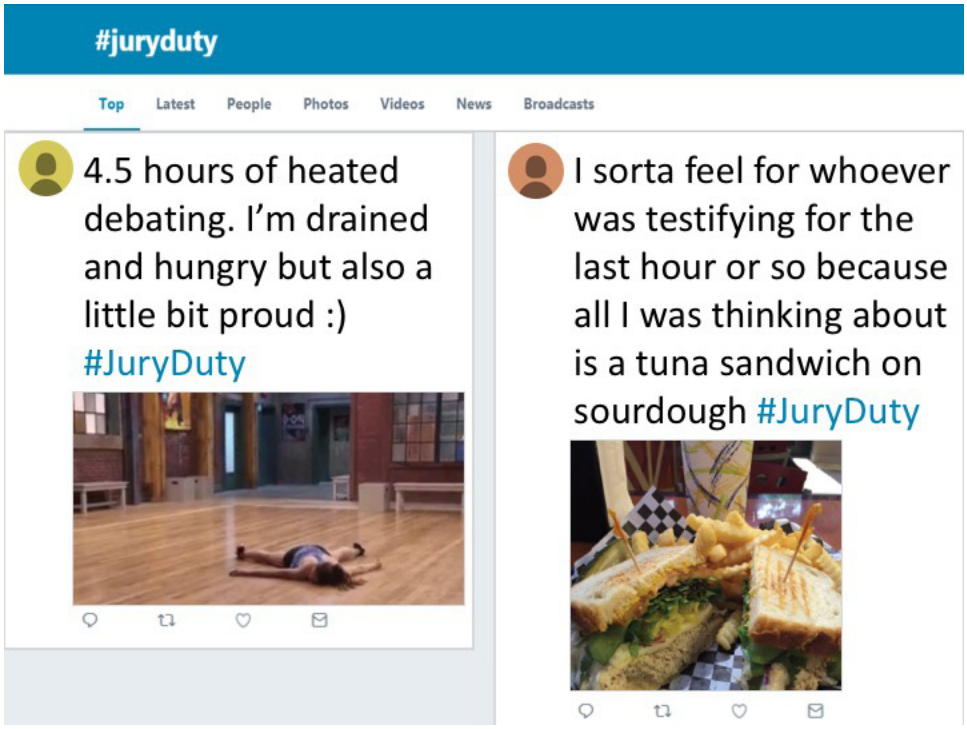
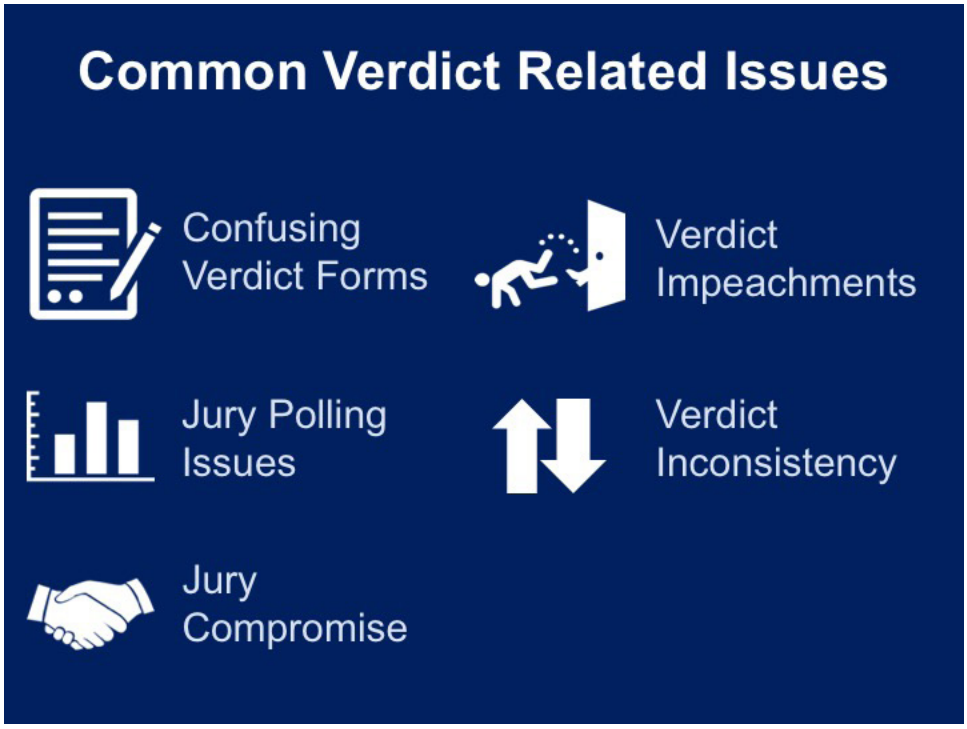



Common Verdict Related Issues
Confusing Verdict Forms
Verdict Impeachments
Jury Polling Issues
Verdict Inconsistency
Jury Compromise


Issue Spotting: Compromise Verdict
Odd Question?
Too Long or Too Short Deliberation?
Shockingly Low Award?

Compromise Verdict

Compromise Verdict

Negligent Design Claim

3. Was defendant Major Company LLC negligent in the design of the plaintiffs' 2000 Family van, because the plaintiffs' 2000 Family van seat belt restraint system:

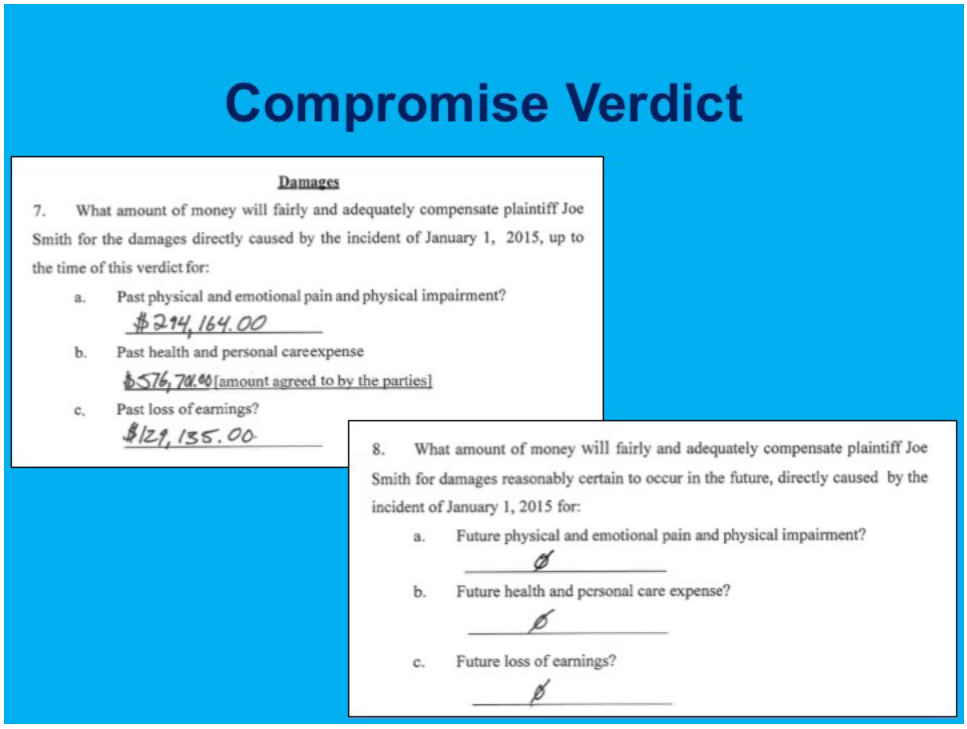
(a) was not equipped with a frontal activated pretensioner?
Answer: No (Yes or No)

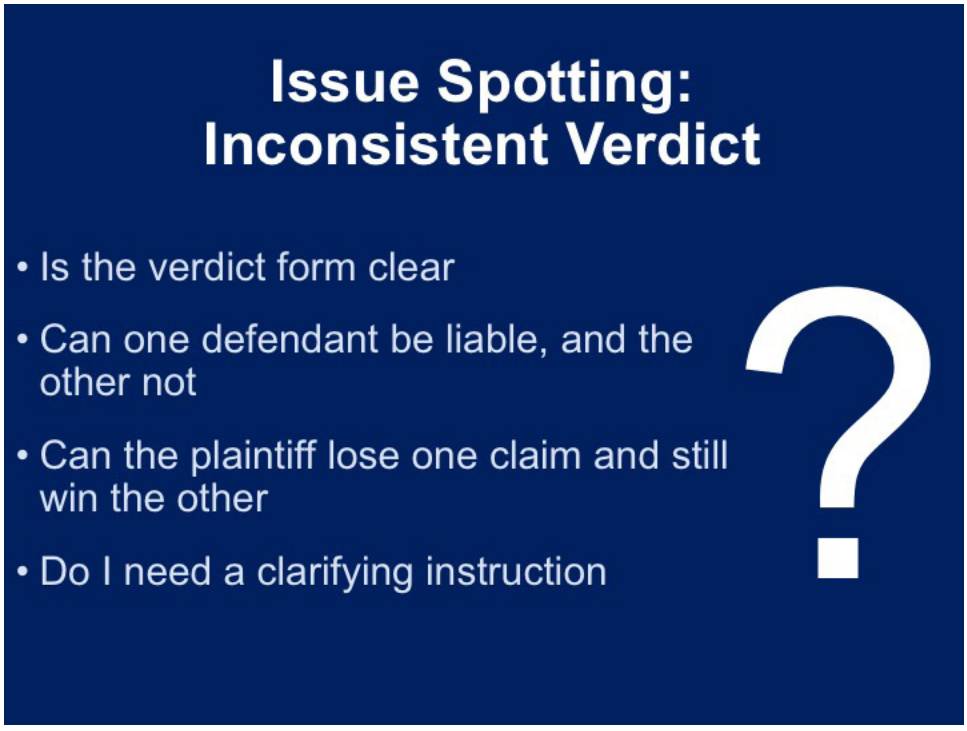
(b) was not equipped with an all belts to seat system?
Answer: No (Yes or No)

(c) was not equipped with a sliding-cinching latch plate?
Answer: No (Yes or No)

(d) was not adequately tested by defendant?
Answer: Yes (Yes or No)

[Direction B: If your answer to any part of Question 3 is "Yes," then answer Question 4. If your answers to all parts of Question 3 are "No," then do not answer Question 4, but proceed to answer Question 5.]


Compromise Verdict
Damages
7. What amount of money will fairly and adequately compensate plaintiff Joe Smith for the damages directly caused by the incident of January 1, 2015, up to the time of this verdict for:
a. Past physical and emotional pain and physical impairment?
$294,164.00
b. Past health and personal careexpense
$576,700.40 [amount agreed to by the parties]
c. Past loss of earnings?
$129,135.00
8. What amount of money will fairly and adequately compensate plaintiff Joe Smith for damages reasonably certain to occur in the future, directly caused by the incident of January 1, 2015 for:
a. Future physical and emotional pain and physical impairment?
Ø
b. Future health and personal care expense?
Ø
c. Future loss of earnings?
Ø


Issue Spotting:
Inconsistent Verdict
• Is the verdict form clear
• Can one defendant be liable, and the other not
• Can the plaintiff lose one claim and still win the other
• Do I need a clarifying instruction
?

Inconsistent Findings – 1

2. Was Richard Reider, Sr.'s addiction to cigarettes containing nicotine manufactured by Philip Morris a legal cause of his death?

YES ✓ NO _____

If your answer to Question 2 is "NO," please do not answer the remaining questions. Please sign and date this Verdict Form and return it to the Courtroom. If your answer to Question 2 is "YES", please proceed to Question 3.

FILED IN OPEN COURT

8. State the total amount (100%) of the damages you find, if any, for Barbara Reider's loss of services, loss of companionship and protection, and her mental pain and suffering, as a result of her husband's lung cancer and death?

$ 0

Inconsistent Findings - 2

VERDICT

Design Defect

1A. Do you find by a preponderance of the evidence that Wright Medical's hip replacement device was defectively designed?

Yes _____ No ✓

If you answered NO to Question 1A, stop, and sign and date this form. If you answered YES to Question 1A, proceed to Question 1B.

Inconsistent Findings - 2

Negligent Misrepresentation

3A. Do you find by clear and convincing evidence that Wright Medical made negligent misrepresentations as to the hip replacement device implanted in Plaintiff?

Yes ✓ No ____

If you answered NO to Question 3A, proceed to Question 4A. If you answered YES to Question 3A, proceed to Question 3B.

3B. Do you find by clear and convincing evidence that Wright Medical's negligent misrepresentations as to the hip replacement device implanted in Plaintiff was a cause of harm to Plaintiff?

Yes ✓ No ____

[illegible]

Inconsistent Findings - 2

3C. Do you award damages in addition to any amount awarded in response to Question 1F, and any additional amount you may have awarded in Question 2C?

Yes ✓ No ____

If your answer is "Yes," in what additional amount? $ 662,500

Proceed to Question 4A.

[illegible]

Inconsistent Findings - 2

Punitive Damages

5A. Do you find by clear and convincing evidence that Wright Medical's conduct: (i) was willful and malicious; (ii) was intentionally fraudulent; or (iii) manifested a knowing and reckless indifference towards, and a disregard of, the rights of others, including Ms. Christiansen for any of the below conduct?

[check all that apply]

✓ In making misrepresentations as to the hip replacement device?

____ In fraudulently concealing information as to the hip replacement device?

If you checked either of the above, what, if any, amount of punitive damages, in addition to any other damages you may have awarded, do you award against Wright Medical?

$ 2.5MM

[redacted]

Inconsistent Findings - 2

Special Factual Findings

The Court requests that you make special factual findings regarding your answer in response to Question 1C. If you answered "NO" to Question 1C, please indicate below which facts Wright Medical failed to prove by a preponderance of the evidence.

[check all that apply]

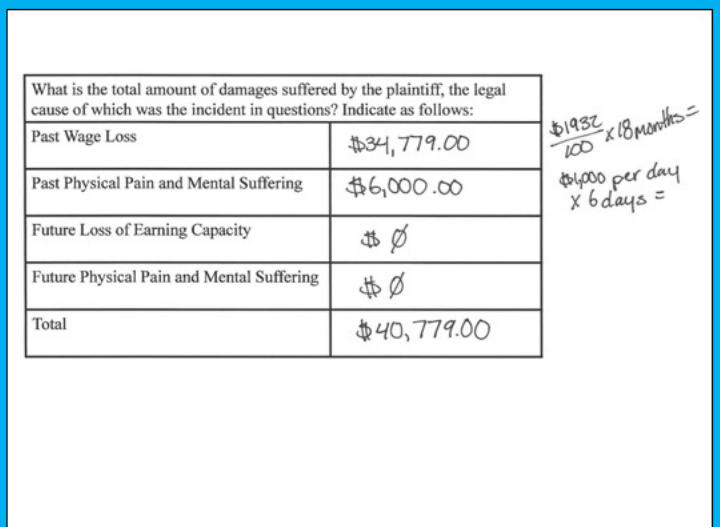
____ When the hip replacement device was made, it could not be made safe for its intended use even applying the best available testing and research.

____ The benefit of the hip replacement device justified its risk.

✓ The hip replacement device, properly manufactured, was accompanied by proper directions and warnings.

Inconsistent Findings - 2

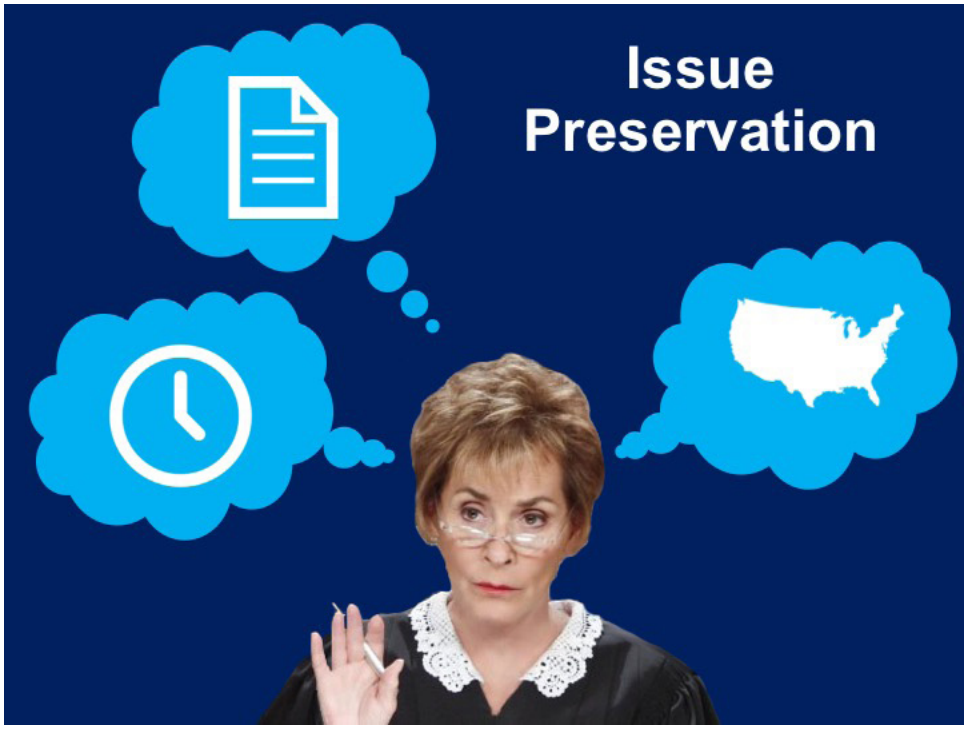
Inconsistent Findings - 3



What is the total amount of damages suffered by the plaintiff, the legal cause of which was the incident in questions? Indicate as follows:	
Past Wage Loss	$34,779.00
Past Physical Pain and Mental Suffering	$6,000.00
Future Loss of Earning Capacity	$ Ø
Future Physical Pain and Mental Suffering	$ Ø
Total	$40,779.00

$1932/100 x 18 months =
$1000 per day x 6 days =


Partial Retrial
VERDICT
Duty
Yes ✓ No ____
Breach
Yes ✓ No ____
Causation
Yes ✓ No ____
Compensatory Damages
$0
Punitive Damages
$150 Million


Issue
Preservation

STEPHANIE A. DOUGLAS

Partner

BUSH SEYFERTH & PAIGE (Troy, MI)

248.822.7806 | douglas@bsplaw.com

Stephanie A. Douglas leads BSP's appellate, class action, and complex briefing team. She focuses on translating complex legal and technical arguments into simple, understandable, and persuasive language. Her representative clients include Ford Motor Company, Pulte Home Company, Meadowbrook Insurance, and FCA US.

At the trial level, with an eye towards strategic decisions and issue preservation, Stephanie handles legal analysis, briefing, and argument on nearly any legal topic, including constitutional issues, contracts, product liability and other torts, tax, statutory interpretation, and employment law. On appeal, Stephanie both consults and handles appeals from start to finish. When she is not handling the appeal outright, Stephanie advises other attorneys inside and outside the firm on procedure and structure, edits and rewrites briefs for thematic and persuasive effectiveness, and moots oral arguments to identify and prepare responses to the most difficult anticipated questions.

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- "Class Actions: Successfully Navigating This Complex and High-Risk Landscape" presented to the Network of Trial Law Firms (October 2017)
- "Class in Session: Defending Putative Class Actions" presented to the National Association of Minority and Women Owned Law Firms (September 2017)
- "Defending Construction Defect Class Actions" nationwide counsel for a client (November 2016)
- "Class Action Update: The Changing Landscape" Association of Corporate Counsel (February 2016)
- "Class Actions and Mass Actions: Recent Developments and Reports from the Trenches" an update to National Association of Women Owned Law Firms (September 2014)

Honors and Awards
- DBusiness Top Lawyers, 2016, 2018
- Michigan Super Lawyers, Appellate Practice, 2016-present
- Benchmark Litigation, Future Star, 2015-present
- Michigan Super Lawyers, Rising Star – Appellate Practice, 2013-2015
- Michigan Lawyers Weekly, Up & Coming Lawyers, 2012
- University of Michigan Law School, Order of the Coif
- West Publishing Award for Outstanding Scholastic Achievement
- Dean's Certificates of Merit (highest grade in class): Torts, Contracts, Criminal Law, Copyright Law, E-Commerce, Secured Transactions

Education
- University of Michigan Law School, J.D., summa cum laude, 2006
- University of Michigan, B.S.E., magna cum laude, 1993
- Harvard Professional Development Programs, Harvard Division of Continuing Education, Participant, Strategic Leadership September 28- 29, 2016

TRAVERSING THE SHIFTING LANDSCAPE OF PATENT LITIGATION: CRITICAL STRATEGIES

Terry Newby
Maslon (Minneapolis, MN)
612.672.8328 | terry.newby@maslon.com

Critical Strategies for Utilizing Recent Supreme Court Opinions to Protect Your IP
Terrance C. Newby

Introduction.

For many years, intellectual property litigation was considered a sleepy backwater in the otherwise roiling river of Supreme Court jurisprudence. Not as exciting as hot button issues like immigration or gun control, and governed by federal statutes and regulations that had changed very little over decades, intellectual property cases rarely reached the Supreme Court.

The placid world of intellectual property litigation changed significantly in 2012 with the implementation of the Leahy-Smith America Invents Act (AIA). The AIA revised America's patent system from a "first to invent" to a "first to file" framework. Under "first to file," the first person to file a patent application gets the invention, regardless of the date of actual invention. Adopting a "first to file" framework brought the United States patent system in line with the rest of the world.

The combination of new statutes and new Supreme Court justices led to an increase in intellectual property cases making their way to the Supreme Court. This article discusses three important intellectual property cases decided by the Supreme Court in 2017 and 2018, and the effect of those decisions on in-house counsel. Whether you manage litigation for a multi-billion dollar conglomerate, or a smaller family-owned business, the Supreme Court's recent IP rulings will affect your company, and how you manage your company's or client's intellectual property.

A. TC Heartland LLC v. Kraft Foods Group Brands LLC, 137 S. Ct. 1514 (2017)

The question presented in the TC Heartland case was where proper venue lies for a patent infringement lawsuit brought against a domestic corporation.

The patent venue statute, 28 U. S. C. §1400(b), provides that "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." In 1957, the Supreme Court held that for purposes of patent venue under Section 1400(b), a domestic corporation "resides" only in its State of incorporation. This meant that a domestic corporation could be sued for patent infringement only in its state of incorporation.

This remained the law until 1988, when Congress amended the general venue statute, Section 1391(c), to provide that "[f]or purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced." Judicial Improvements

and Access to Justice Act, Section 1013(a), 102 Stat. 4669. The Congressional amendment did not specifically mention patent infringement cases, or Section 1400(b).

In 1990, the Federal Circuit held that the 1988 amendment to Section 1391(c) "clearly applies to §1400(b), and thus redefines the meaning of the term 'resides' in that section." VE Holding Corp. v. Johnson Gas Appliance Co., 917 F. 2d 1574, 1578 (Fed. Cir. 1990). The practical effect of this ruling was that defendants in patent infringement suits could now be sued anywhere they were subject to personal jurisdiction, and not just "in the judicial district where the defendant resides (is incorporated), or where the defendant has committed acts of infringement and has a regular and established place of business," as set forth in Section 1400.

The Federal Circuit's VE Holding decision opened the floodgates for patent infringement suits in the Eastern District of Texas, and other popular jurisdictions. Marshall, Texas became the de facto capitol of patent infringement litigation.

Following VE Holding, no new developments occurred until Congress adopted the current version of Section 1391 in 2011. The 2011 Congressional amendments did not alter or mention Section 1400. Nevertheless, the Federal Circuit reaffirmed the VE Holding case, interpreting the 2011 amendments to mean "[f]or all venue purposes," certain entities, "whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question." 821 F. 3d at 1341–1343. The Federal Circuit held that this provision specifically applied to patent cases.

In an opinion written by Justice Thomas, the Supreme Court reversed, finding that Congress never intended to alter the plain meaning of the venue provision for patent cases found in Section 1400: "As applied to domestic corporations, "reside[nce]" in Section 1400(b) refers only to the State of incorporation." 137 S. Ct. 1514 (2017).

Key Takeaways from the TC Heartland Decision

For in-house counsel who manage a patent portfolio, there are several things to consider in light of the TC Heartland decision.

First, domestic corporations can now be sued for patent infringement only "in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 USC Sec. 1400(b). This will drastically reduce your chances of getting sued in the Eastern District of Texas, or anywhere else your company does business, but is not incorporated or has a regular and established place of business.

If patent litigation is a significant part of your in-house practice, consider carefully whether to establish a branch office in Plano, Texas, or anywhere else that is considered a plaintiff-friendly jurisdiction.

Second, despite the TC Heartland ruling, proper venue in patent cases is still not completely settled. Does a corporation "reside" under Section 1400(b) in every judicial district within its state of incorporation when the state has more than one judicial district, or does it reside only in the judicial district in which it is incorporated? For the moment, the Federal Circuit has held that a corporation "resides" only in one judicial district:

> "[W]e hold that for purposes of determining venue under Section 1400(b) in a state having multiple judicial districts, a corporate defendant shall be considered to 'reside' only in the single judicial district within that state where it maintains a principal place of business, or, failing that, the judicial district in which its registered office is located."
>
> In Re BigCommerce, Inc., 2018-120 at 13 (Fed. Cir. May 15, 2018).

So for now, the answer is a corporate defendant in a patent case shall be considered to "reside" only in the single judicial district within that state where it maintains a principal place of business. Given the continued uncertainty over what was once an undisputed statutory provision, it is likely the Supreme Court will address this issue soon.

In-house counsel should also consider this question -- What constitutes a "regular and established place of business" under Section 1400(b)?

B. Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et. al, 138 S. Ct. 1365 (2018)

The Leahy-Smith America Invents Act, 35 U. S. C. §100 et seq., established a process called "inter partes review." Under that process, the United States Patent and Trade-mark Office (PTO) is authorized to reconsider and to cancel an issued patent claim in limited circumstances. The question presented in the Oil States Energy case was whether the administrative inter partes review process violates Article III or the Seventh Amendment of the Constitution.

The America Invents Act established the inter partes review procedure. An IPR petitioner can request cancellation of "1 or more claims of a patent" on the grounds that the claim fails the novelty or non-obviousness standards for patentability. 35 USC Section 311(b). The decision whether to institute inter partes review is committed to the discretion of the Director of the USPTO. The Director's decision is "final and nonappealable." 35 USC Section 314(d).

If the Director decides to institute an IPR, the Patent Trial and Appeal Board—an adjudicatory body within the PTO created to conduct inter partes review—examines the patent's validity. See 35 U. S. C. Sections 6, 316(c). The Board sits in three-member panels of administrative patent judges. See Section 6(c). During the inter partes review, the petitioner and the patent owner are entitled to certain discovery, Section 316(a)(5); to file affidavits, declarations, and written memoranda, Section 316(a)(8); and to receive an oral hearing before the Board.

Unless the IPR is terminated earlier, the Board must issue a final written decision no later than a year after it notices the institution of inter partes review, but that deadline can be extended up to six months for good cause. If the Board's decision becomes final, the Director must "issue and publish a certificate." The certificate cancels patent claims "finally determined to be unpatentable," confirms patent claims "determined to be patentable," and incorporates into the patent "any new or amended claim determined to be patentable."

Patentee Oil States sued Greene's Energy in federal district court for infringing an Oil States patent. Greene's Energy challenged the validity of the patent in federal district court, and also filed an IPR, in which Greene's Energy asserted that certain prior art invalidated the patent.

The trial court ruled in favor of the patent owner, Oil States. But the Board ruled in favor of Greene's Energy, concluding that the claims were unpatentable. The Board acknowledged the District Court's contrary decision, but nonetheless concluded that the claims were anticipated by the prior art.

On appeal to the Federal Circuit, Oil States challenged the constitutionality of inter partes review. Specifically, it argued that actions to revoke a patent must be tried in an Article III court before a jury. Because an IPR proceeding provides neither form of relief, Oil States argued that the IPR process violated both Article III and the Seventh Amendment.

In an opinion also written by Justice Thomas (Thomas also delivered the opinion in the TC Heartland case), the Supreme Court rejected both claims, because granting a patent is considered a public right:

> "This Court has recognized, and the parties do not dispute, that the decision to grant a patent is a matter involving public rights—specifically, the grant of a public franchise. Inter partes review is simply a reconsideration of that grant, and Congress has permissibly reserved the PTO's authority to conduct that reconsideration. Thus, the PTO can do so without violating Article III."

The Court also rejected Oil States' argument that patents are the exclusive private property of the patentee: "Patents convey only a specific form of property right—a public franchise. And patents are 'entitled to protection as any other property, consisting of a franchise.' As a public franchise, a patent can confer only the rights that 'the statute prescribes.'"

Finally, the Court used the same reasoning to reject the Seventh Amendment challenge:

> "Thus, our rejection of Oil States' Article III challenge also resolves its Seventh Amendment

challenge. Because inter partes review is a matter that Congress can properly assign to the PTO, a jury is not necessary in these proceedings."

Key Takeaways from the Oil States Decision

The decision in Oil States was not surprising, given that numerous administrative procedures existed before IPR's. These include ex parte reexamination, which still exists today, and inter partes reexamination the predecessor to inter partes review. Thus, IPR's and other administrative proceedings will continue to be important tools for in-house counsel defending patent lawsuits.

For in-house counsel managing a patent portfolio, consider this question – if a patent is a public right that can be challenged and revoked administratively, is it still a property right? Counsel concerned about protecting intellectual property should consider more reliance on trade secrets instead of patents, because trade secrets may become more important in light of Oil States.

Other questions for in-house counsel in light of Oil States:

Is it still worth investing millions of dollars in patents for a right that can be revoked administratively?

Will Congress intervene on behalf of patent owners? Recent Supreme Court decisions have been decided uniformly against patent owners. Akamai, Nautilus, and Alice were all adverse to patent owners' interests. TC Heartland and Oil States continue the trend of Supreme Court decisions that are adverse to patent owners.

C. Matal v. Tam, 137 S. Ct. 1744 (2017)

The question presented in Matal v. Tam was whether the Patent and Trademark Office has the right to deny trademark applications "which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute."

The Lanham Act contains several provisions that bar certain trademarks from the principal register. For example, a trademark cannot be registered if it "[c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute."

15 USC Section 1052(a).

Simon Tam, an Asian-American musician, is the lead singer for a dance-rock band called "The Slants." He chose this admittedly offensive name for his band in order to "reclaim" and "take ownership" of stereotypes about people of Asian ethnicity.

Tam sought to register the mark "THE SLANTS" on the principal trademark register. The USPTO denied registration based on the disparagement clause of Section 1052, which bars registration for marks that "may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute."

Tam appealed, and the Federal Circuit found the disparagement clause facially unconstitutional under the First Amendment's Free Speech Clause, because it allowed the government to engage in viewpoint-based discrimination.

The Supreme Court agreed. In an opinion written by Justice Alito, the Court held that "[T]he disparagement clause violates the Free Speech Clause of the First Amendment. The judgment of the Federal Circuit is affirmed."

Significantly, Section 1052(a) has two distinct provisions: the "immoral, deceptive, or scandalous" provision, and the "disparagement" provision. Only the "disparagement" provision was at issue in Tam.

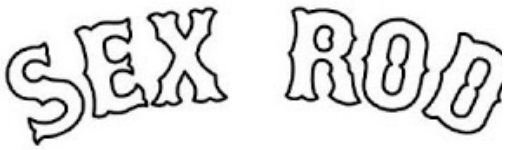
Key Takeaways from the Tam Decision

For most businesses, the Tam decision will not have a direct effect on a trademark portfolio – most businesses stay away from scandalous or disparaging trademarks, for obvious commercial reasons.

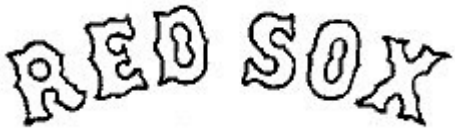
The main concern raised by Tam is that trademark owners may have lost a tool to prevent their marks from being satirized or parodied in crude or vulgar ways.

For example, in 2008 the USPTO refused to register

the mark:



in connection with clothing and other items, because it was both "immoral deceptive and scandalous" and "disparaging" of the owner of this mark:



Boston Red Sox Baseball Club Limited Partnership v. Brad Francis Sherman, 88 USPQ2d 1581 (TTAB 2008).

Brad Sherman sought to register "Sex Rod" as a trademark to parody the famous Boston Red Sox mark, in an effort to "represent the at once clever yet sophomoric sense of humor that prevails in those venues in which apparel bearing the SEX ROD Stylized mark would likely be worn, e.g., ballparks, sports bars, and university campuses."

The TTAB found the mark both "immoral deceptive and scandalous" and "disparaging." But the TTAB did not find the mark confusing, or likely to cause confusion: "the words are so dissimilar in all significant respects, we find that the marks as a whole create different overall commercial impressions."

Possible Impact for Trademark Owners.

The Supreme Court found the "disparagement" clause unconstitutional. Will the "immoral, deceptive, or scandalous" provision suffer the same fate? If you manage a trademark portfolio, how do you defend against crude or vulgar knock-offs? There are several challenges raised by the Tam decision.

First, "likelihood of confusion" may not be a defense to a crude or vulgar parody or satire if the crude mark is sufficiently dissimilar to the original mark, as was the case with the "Sex Rod" mark.

Second, dilution by blurring or tarnishment may not be defenses – dilution by blurring or tarnishment is available only for those marks that are "famous." 15 USC Sec. 1125(c).

Thus, if your company's or client's mark is not famous, the only defense to a crude or vulgar parody may be likelihood of confusion. The "disparagement" clause of Section 1052 is no longer a defense. And it is questionable whether the "immoral deceptive and scandalous" provision will survive. That leaves "likelihood of confusion" and dilution by blurring or tarnishment, which is only available for famous marks.

CONCLUSION

The TC Heartland, Oil States Energy Services, and Tam decisions will affect patent owners, patent defendants, and those who own trademark portfolios. Coming years will hopefully provide more clarity in areas that are now very murky.

Critical Strategies for Utilizing Recent Supreme Court Opinions to Protect Your IP

THE NETWORK OF TRIAL LAW FIRMS, INC.
August 3, 2018

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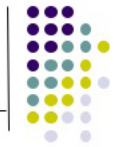
Maslon LLP
Minneapolis, MN

Disclaimer



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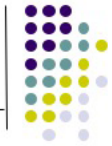
A Study of Three Landmark Supreme Court Intellectual Property Decisions

- *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017)
- *Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et. al*, 138 S. Ct. 1365 (2018)
- *Matal v. Tam*, 137 S. Ct. 1744 (2017)

TC Heartland LLC v. Kraft Foods Group Brands LLC

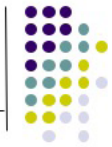
- The question presented in the *TC Heartland* case was where proper venue lies for a patent infringement lawsuit brought against a domestic corporation.

TC Heartland LLC v. Kraft Foods Group Brands LLC



- In 1957, the Supreme Court held that under Section 1400(b) of the patent code, a domestic corporation could be sued for patent infringement only in its state of incorporation.

TC Heartland LLC v. Kraft Foods Group Brands LLC



- In 1988, Congress amended the general venue statute, Section 1391(c), so that a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.

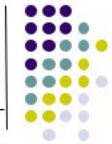
TC Heartland LLC v. Kraft Foods Group Brands LLC

- In 1990, the Federal Circuit held that the 1988 amendment to Section 1391(c) "clearly applies to §1400(b), and thus redefines the meaning of the term 'resides' in that section." *VE Holding Corp.* v. *Johnson Gas Appliance Co.*, 917 F. 2d 1574, 1578 (Fed. Cir. 1990).

TC Heartland LLC v. Kraft Foods Group Brands LLC

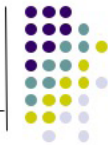
- Defendants in patent infringement suits could now be sued anywhere they were subject to personal jurisdiction.

TC Heartland LLC v. Kraft Foods Group Brands LLC



- In 2015, 43.6% of federal patent suits (2,540 suits) were filed in the Eastern District of Texas.
- This was more patent suits than were filed in federal district courts in Delaware, the Central and Northern Districts of California, and the Northern District of Illinois combined (1,235 patent suits in 2015).

TC Heartland LLC v. Kraft Foods Group Brands LLC



- The Supreme Court stems the tide:
- "As applied to domestic corporations, "reside[nce]" in Section 1400(b) refers only to the State of incorporation."
- *TC Heartland*, 137 S. Ct. 1514 (2017).

What Does TC Heartland Mean for In-House Counsel?

- Domestic corporations can now be sued for patent infringement only "in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."
- Lower risk of getting sued in Eastern District of Texas.

What Does TC Heartland Mean for In-House Counsel?

- Think twice about establishing a branch office in Plano, Texas.
- Proper venue in patent cases is still not completely settled. Does a corporation "reside" under § 1400(b) in *every* judicial district within its state of incorporation when the state has more than one judicial district, or does it reside *only* in the judicial district in which it is incorporated?

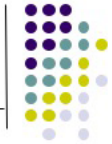
What Does TC Heartland Mean for In-House Counsel?

- A corporate defendant "resides" *only* in the single judicial district within that state where it maintains a principal place of business, or, failing that, the judicial district in which its registered office is located." *In Re BigCommerce, Inc*. (Fed. Cir. May 15, 2018).

What Does TC Heartland Mean for In-House Counsel?

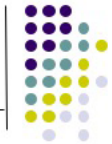
- For future consideration: What constitutes a "regular and established place of business" under Section 1400(b)?

Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et. al, 138 S. Ct. 1365 (2018)



- The question presented in the *Oil States Energy* case was whether the administrative *inter partes* review process violates Article III or the Seventh Amendment of the Constitution.

Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et. al, 138 S. Ct. 1365 (2018)



- The America Invents Act established the *inter partes* review procedure. An IPR petitioner can request cancellation of "1 or more claims of a patent" on the grounds that the claim fails the novelty or non-obviousness standards for patentability. 35 USC Section 311(b).

Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et. al, 138 S. Ct. 1365 (2018)

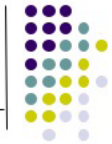
- IPR is an administrative proceeding. The decision whether to institute *inter partes* review is committed to the discretion of the Director of the USPTO. The Director's decision is "final and non-appealable." 35 USC Section 314(d).

Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et. al, 138 S. Ct. 1365 (2018)

- In 2015, *inter partes* review proceedings accounted for over 90 percent of all AIA petitions filed with the USPTO.

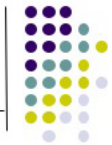
- In 2015, the Director of the USPTO instituted proceedings in almost 60 percent of IPR petitions.

Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et. al, 138 S. Ct. 1365 (2018)



- Oil States challenged the constitutionality of *inter partes* review.
- Actions to revoke a patent must be tried in an Article III court before a jury. Because an IPR proceeding provides neither form of relief, Oil States argued that the IPR process violated both Article III and the Seventh Amendment.

Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et. al, 138 S. Ct. 1365 (2018)



- The Supreme Court rejected the Article III claim:
- "The decision to *grant* a patent is a matter involving public rights—specifically, the grant of a public franchise. *Inter partes* review is simply a reconsideration of that grant, and Congress has permissibly reserved the PTO's authority to conduct that reconsideration. Thus, the PTO can do so without violating Article III."

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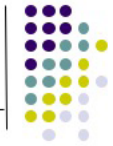
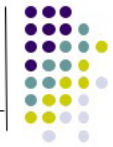


- And the Supreme Court rejected the Seventh Amendment claim:

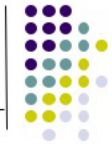
- "Because inter partes review is a matter that Congress can properly assign to the PTO, a jury is not necessary in these proceedings."

What Does Oil States Mean for In-House Counsel?



- IPR's and other administrative proceedings will continue to be important tools for in-house counsel defending against patent lawsuits.

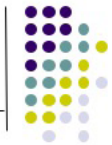
What Does Oil States Mean for In-House Counsel?



- But if a patent is a public right that can be challenged and revoked administratively, is it still a property right?

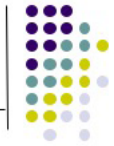
- In-house counsel charged with protecting intellectual property should consider more reliance on trade secrets instead of patents in light of *Oil States*.

New Questions Raised by *Oil States*



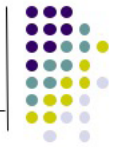
- Is it still worth investing millions of dollars in patents for a right that can be revoked administratively?
- Will Congress intervene on behalf of patent owners?

New Questions Raised by *Oil States*



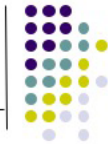
- *TC Heartland* and *Oil States* continue the trend of Supreme Court decisions that are adverse to patent owners.
- In-house counsel charged with protecting a patent portfolio should be wary of future trends with IPR's and other administrative proceedings.

Matal v. Tam, 137 S. Ct. 1744 (2017)



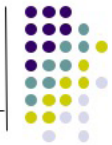
- The question presented in *Matal v. Tam* was whether the Patent and Trademark Office has the right to deny trademark applications "which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute."

Matal v. Tam, 137 S. Ct. 1744 (2017)



- The Lanham Act bars trademark registration if the mark "[c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute." 15 USC Section 1052(a).

Matal v. Tam, 137 S. Ct. 1744 (2017)



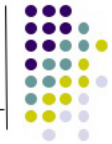
- Simon Tam, an Asian-American musician, is the lead singer for a dance-rock band called "The Slants." He chose this admittedly offensive name for his band in order to "reclaim" and "take ownership" of stereotypes about people of Asian ethnicity.

Matal v. Tam, 137 S. Ct. 1744 (2017)

- Tam sought to register the mark "THE SLANTS" on the principal trademark register.

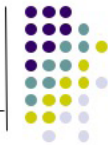
Matal v. Tam, 137 S. Ct. 1744 (2017)

Matal v. Tam, 137 S. Ct. 1744 (2017)



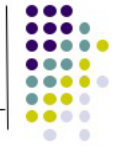
- The USPTO denied registration based on the disparagement clause of Section 1052, which bars registration for marks that "may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute."

Matal v. Tam, 137 S. Ct. 1744 (2017)



- Federal Circuit found the disparagement clause facially unconstitutional under the First Amendment's Free Speech Clause, because it allowed the government to engage in viewpoint-based discrimination. The Supreme Court agreed.

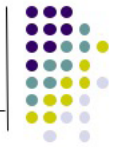
Matal v. Tam, 137 S. Ct. 1744 (2017)



- Section 1052(a) has two distinct provisions: the "immoral, deceptive, or scandalous" provision, and the "disparagement" provision.

- Only the "disparagement" provision was struck down by the *Tam* decision.

What Does Tam Mean for In-House Counsel?



- For most businesses, the *Tam* decision will not have a direct effect on a trademark portfolio – most businesses stay away from scandalous or disparaging trademarks, for obvious commercial reasons.

What Does Tam Mean for In-House Counsel?

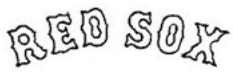
- But trademark owners may have lost a tool to prevent their marks from being satirized or parodied in crude or vulgar ways.

What Does Tam Mean for In-House Counsel?

- For example, in 2008 the USPTO refused to register this mark:

- in connection with clothing and other items, because it was both "immoral deceptive and scandalous" and "disparaging" of the owner of this mark:

What Does Tam Mean for In-House Counsel?



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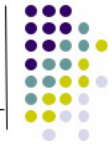
What Does Tam Mean for In-House Counsel?

- The TTAB found the mark both "immoral deceptive and scandalous" and "disparaging."
- But the TTAB did not find the mark confusing, or likely to cause confusion.

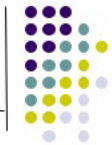
What Will Tam Mean for In House Counsel?



- The Supreme Court found the "disparagement" clause unconstitutional. Will the "immoral, deceptive, or scandalous" provision suffer the same fate?

- "Likelihood of confusion" may not be a defense to a crude or vulgar parody or satire if the crude mark is sufficiently dissimilar to the original mark.

What Will Tam Mean for In House Counsel?



- Dilution by blurring or tarnishment may not be defenses – dilution by blurring or tarnishment is available only for those marks that are "famous." 15 USC Sec. 1125(c).
- If your mark is not famous, the only defense to a crude or vulgar parody may be likelihood of confusion.

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Partner

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Terry Newby has extensive experience assisting clients with their intellectual property, e-commerce, and complex commercial litigation needs. He has successfully represented clients in state and federal courts throughout the country in a broad range of infringement matters involving patent, trademark, copyright, and trade dress as well as licensing disputes. In addition, Terry has taken intellectual property matters to trial, including federal jury trials in patent infringement, trademark infringement, and false advertising cases under the Lanham Act. His clients include software companies, consumer products companies, e-commerce and emerging technology companies, and medical device companies.

With a relentless focus on practical solutions to difficult problems, Terry regularly helps his clients navigate complex intellectual property matters. He devotes a large part of his practice to proactively drafting IP licenses and contracts so his clients can avoid litigation. Sometimes, however, the best solution is to litigate, and in those instances Terry has the litigation and trial experience necessary to protect his client's intellectual property. Terry also evaluates and drafts software and license agreements as well as confidentiality and non-disclosure agreements—all to ensure his clients achieve optimal value from their ventures.

Terry has significant appellate experience and has briefed and argued appeals involving complex commercial disputes and patents in various jurisdictions, including the Federal Circuit Court of Appeals and appellate courts in Minnesota, Iowa, and Illinois. He is also licensed to appear before the United States Supreme Court. Counseling clients and providing practical, common sense solutions are the core of Terry's practice.

When not practicing law, Terry writes fiction, including novels and plays. One of his plays, "The Cage," was professionally staged in St. Paul in 2016.

Areas of Practice

- Litigation
- Appeals
- Business Litigation
- Competitive Practices/Unfair Competition
- Intellectual Property Litigation

Recognition

- Professor of the Year Award, William Mitchell College of Law, 2009-2010
- Pro Bono Attorney of the Year, Minnesota Legal Services Coalition, 1999 (Award for "extraordinary service" in providing fair access to justice.)
- Adult Achiever Recognition, YMCA of St. Paul Black Achievers Program (Responsible for preparation of materials and coordinating annual Mock Trial program for inner city youth of St. Paul from 1997-2000.)

Education

- William Mitchell College of Law; J.D., 1995
- University of Wisconsin, Madison B.A., 1989

THE ART OF ARGUMENT: USING THE PIXAR STORYTELLING FORMULA TO PERSUADE

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The Art of Argument: Using the Pixar Storytelling Formula to Persuade Judges and Jurors
Tony Rospert and Jamar T. King

Importance of Telling Effective Stories

The first thing that most law schools teach fresh-faced aspiring lawyers is that the practice of law is nothing like what they've seen come out of Hollywood. No one ever forces a witness to completely lose it on the stand like Lieutenant Daniel Kaffee did during his cross-examination in A Few Good Men. And certainly no one ever delivers closing statements as profound as Atticus Finch's in To Kill a Mockingbird. The truth is performances such as these probably do only happen in Hollywood. But in stamping out the collective memories of movies like these and others, law schools forget to teach that the practice of law isn't merely about applying static rules and doctrines to the facts of a dispute. The practice of law, and trial work in particular, is about storytelling.

"Since a trial is a war of impression and not logic successful trial lawyers must become masterful story tellers who engage jurors on a visceral level with the magic of storytelling."[1] Regardless of the type of case or the claims lodged, storytelling is absolutely critical to the success of any case. Humans think in stories, learn from stories, and generally communicate in stories. Stories engage audiences in ways that logic and the law alone can't. So naturally, a properly structured, compelling story is the most persuasive way to present information and convince a judge or jury that your client should win.

Yet, storytelling isn't taught in law schools. To the contrary, law schools often stifle creativity, and law students graduate having no idea how to tell an engaging, attention-grabbing story. This article explores the components of effective stories, outlines the Pixar formula for structuring stories, and provides examples of practical applications of the Pixar formula. So even if you're one of the poor souls who didn't learn the art of storytelling in law school, the information in this article will have you winning cases to infinity … and beyond.

Components of Effective Stories

The old adage goes that people remember how you made them feel long after they forget what you told them. It still rings true today. The best trial attorneys have a penchant for making their audiences a part of the unfolding drama, not just sideline observers. They transport judges and jurors into the worlds of their stories. They all, seemingly innately, know that the best stories have a few things common: a strong, universally appealing theme, identifiable characters, and vivid imagery.

1 Paul Luvera, "A Trial Presented As Story," Plaintiff Trial Lawyer Tips, Mar. 3, 2013, https://plaintifftriallawyertips.com/a-trial-presented-as-story (last accessed May 21, 2018).

Craft a Compelling, Relatable Theme

The importance of a strong, universally appealing theme cannot be stressed enough. It should be thought of as a poster or trailer for a movie. It tells your audience why your case is important, why they should buy in, and why your client should win. It's also the guiding principle for every decision in your case. Whether it's deciding what initial pretrial motions to file or which exhibits to use in your closing argument, every decision should be made in furtherance of the theme of the story. Establishing a theme will help you decide on the next major component – the characters.

Develop Your Characters

The selection and development of characters is crucial because most of the time you will be telling your client's story from the perspective of one or more of them. Characters are usually witnesses, but they don't have to be. They can be inanimate objects, fictional entities, or even events. Some will fulfill lead roles. Some will only play small supporting parts. The important thing is that you identify the characters, develop them, and know how each is relevant to your client's story.

For example, you may even have to tell part of your client's story through an antagonist during cross-examination. Don't shy away from it. Great trial attorneys know cross-examination with properly worded leading questions isn't really an "examination" at all; it's an opportunity to talk directly to the judge or jury and tell a portion of their client's story.

When selecting and developing characters, it's also important to remember to show their humanity. We all have successes, failures, hopes, and dreams. Play on this. Show your audience how your client is a person just like them.

If your client is a corporation, explain to the audience that it employs a group of hard-working people just like them. If relevant, talk about the history of the company. If it had humble beginnings, emphasize this. Share with the audience how the corporation is the American Dream realized for the mom and pop who started it.

Put faces on the people who work for the corporation. If you have to examine the chief executive officer, let her share her journey of how she rose from intern to the first female head of the company. If you're examining a junior-level product developer, let her share her aspirations of one day revolutionizing the industry by creating a process that will allow the company to create bigger, faster, stronger widgets with a net-zero effect on carbon emissions.

Use Vivid Imagery

Finally, use vivid imagery. Leave the legal jargon at the office. No one understands it and it's boring. You might win the contest for smartest person in the courtroom, but you'll lose the trial if no one knows what you are saying.

Neither jurors nor judges need to hear every single fact. The ability to recite the most minute details and nuanced aspects of a case is great when you're an associate trying to impress a partner, but its bores jurors and judges to death. You don't want a judge or juror to become so bogged down by the facts that they lose sight of your theme. Instead, focus on a few key events or moments and use impact adjectives to explain how those events and moments led to the dispute.

Use relevant exhibits and audiovisual media when possible. People remember what they see more often than what they hear. Plus, exhibits and other audiovisual media fill in the gaps left by the testimonial evidence, aid judges and jurors in putting themselves in the shoes of the characters, and help bring the world of the story to life.

The Pixar Formula: Providing Story Structure

Once you identify the components of your client's story, you need to structure it. Structuring helps both the attorneys telling the story and the audience hearing the story. It allows attorneys to organize the evidence and distill the most important facts from mountains of information. It also draws out a clear narrative or plot that aids the judge or jury in evaluating the case.

The people at Pixar have structuring down pat. For over two decades, they have used the same formula to construct the stories in their animated

films and made billions doing it. The Pixar formula is a bit more elaborate than the "beginning, middle, and end" structuring formula we learned in grade school, but it's easy to apply.

From Toy Story to Coco, Pixar has used the following six steps to structure the stories in all of its films:

1. "Once upon a time, there was …" In Step 1, the author sets the scene, time, and place and lets the audience know that a story is going to follow. The audience is introduced to the main character and told why it should care about the rest of the story.

2. "Every day …" In Step 2, the author tells the audience the normal order of the story's world. The audience learns what everyday life is like in this world.

3. "Until one day …" Step 3 is where the normal order of the world is upset or disrupted by some event or person. Usually this is where the main character's routine is broken or he or she is presented with a challenge, whether it be an obstacle or villain, that must be overcome.

4. "Because of that …" Step 4 is generally where the negative consequences of Step 3 start to unfold. It's typically where the initial action of the story takes place, and it's unclear whether the main character will win in the end.

5. "Because of that …" In Step 5, the negative consequences continue to unfold and, most times, intensify. Usually by this point, the main character has tried and initially failed to overcome the challenge introduced in Step 3.

6. "Until finally …" Step 6 is the climax. It is where the main character finally figures out a way to reverse or stop the event or person from which the negative consequences flow. Generally, the main character overcomes the challenge and equilibrium is restored.

Practical Applications of the Pixar Formula

The Pixar formula can be applied to any type of case, as illustrated in the following examples. In the first, an Italian restaurant and farmer were in an exclusive requirements contract in which the farmer promised to supply all of the restaurant's tomatoes. In the second, a contract worker caused a mass power outage at a paper mill, which resulted in the temporary suspension of production operations at the mill.

Case No. 1: Breach of Requirements Contract

Once upon a time …	… an Italian restaurant with a 100 percent organic menu entered into a requirements contract with a local farmer for fresh, non-GMO tomatoes.
Every day …	... the farmer delivered the tomatoes to the restaurant pursuant to the terms of the contract.
One day ...	... without any warning or explanation, the farmer stopped delivering tomatoes.
Because of that ...	... the restaurant could not make its world-famous tomato sauce.
Because of that ...	... guests started complaining and eventually stopped coming to the restaurant.
Until finally ...	... the restaurant found cover from another farmer at more expensive price.

Case No. 2: Power Outage at Paper Mill

Once upon a time ...	... there was a large paper mill in the middle of a large forest.
Every day ...	... hundreds of employees and contractors worked at the mill turning the trees of the forest into millions of pounds of paper.

One day ...	... a grounds maintenance contractor took his crane outside of his designated work area and accidentally knocked a tree onto a power line supplying electricity to the paper mill.
Because of that ...	... the paper mill lost power and could not produce any paper for several days.
Because of that ...	... the mill lost millions of dollars in revenue.
Until finally ...	... the paper mill hired another company to repair the power line and restore electricity.

In both examples, the Pixar formula creates the spines of the cases. In Case No. 1, the application of the formula lets the audience know how important the contract was to the operation of the restaurant. Without even using the word "breach," the audience knows that this is a breach of contract case. The formula sets the stage for discussing the restaurant's dependency on the farmer, how much revenue it lost as a result of the farmer's failure, and, most importantly, the damage to its reputation.

Similarly, in Case No. 2, it's clear that the actions of the grounds maintenance contractor resulted in millions of dollars of lost revenue for the paper mill. The claim is one for negligence yet the legal terms "duty" and "breach" are never used.

Conclusion

Most of this article is dedicated to telling your client's story at trial, but you shouldn't wait until it's clear that trial is inevitable before you start crafting the story. Starting the storytelling process early, especially theme development, saves time, costs, and headaches later. You should be thinking about the story you want to tell at every stage of a case, from the initial meeting with your client through closing argument. Employing the art of storytelling early helps you control the narrative of the case as well as identify and focus on the issues and facts that matter most.

Pretrial motion practice, for example, is a great platform for telling your client's story because judges, like jurors, want to be entertained. Of course they apply the law, but they are persuaded by compelling stories just as much as any juror because, at the end of the day, they are regular people too. So whether it's a Rule 12 motion to dismiss or an eleventh hour motion in limine, you'll have an easier time convincing the judge to grant what you're requesting if you tell her a story.

Every brief you submit should follow the Pixar structure formula. Your theme should be clear and universally appealing, your characters should be well developed and relevant to the motion at issue, and you should include vivid imagery. This will help the judge understand your client's position, process your legal arguments, and move him or her to decide in favor of your client's interests.

And even if the judge isn't moved by your story enough to grant the order you're requesting, you'll glean clues as to which parts of your story need refining, which will ultimately help you tell a better story in a later motion or at trial. Think of pretrial motion practice as a laboratory for testing your story. Experiment. If a particular delivery of your story doesn't work, figure out why, change it, and build a better story before trial.

Storytelling is the most potent tool in a trial attorney's arsenal. There is no reason as trial lawyers why we cannot tell a captivating and compelling story at every stage of a case. By developing a compelling, relatable theme, carefully selecting and developing your story's characters, making use of vivid imagery, and applying the Pixar formula, you can win cases to infinity … and beyond! (Pun intended.)

The Art of the Argument:
Using the Pixar Storytelling Formula to Persuade Judges and Jurors

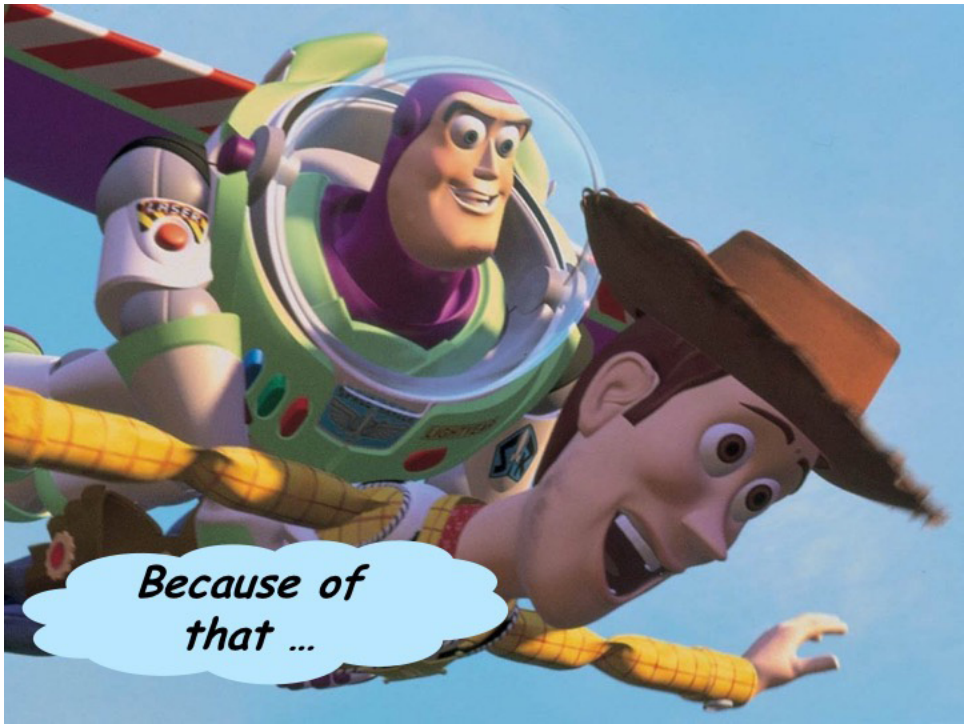
Tony Rospert
Thompson Hine LLP
August 3, 2018


REC
Every day, ...


Until one day...


Because of that ...


Because of that ...


Because of that ...


Until finally...

Big Picture:

Why is storytelling important?

Ability to engage and persuade triers of fact

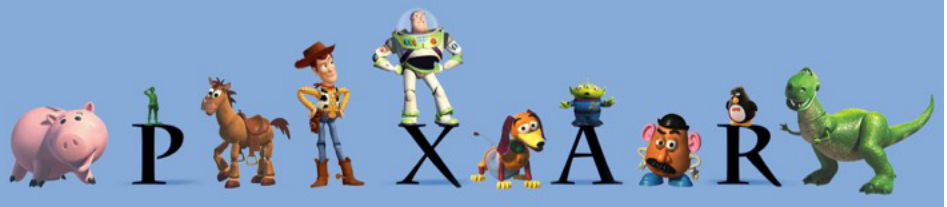
More persuasive than a bare bones legal argument

In-house counsel must be deeply involved

Increases our power to convince triers of fact to decide in our favor

To Infinity and Beyond

- Importance of Telling Effective Stories
- Components of Effective Stories
- The Pixar Formula
- Practical Application of the Pixar Formula



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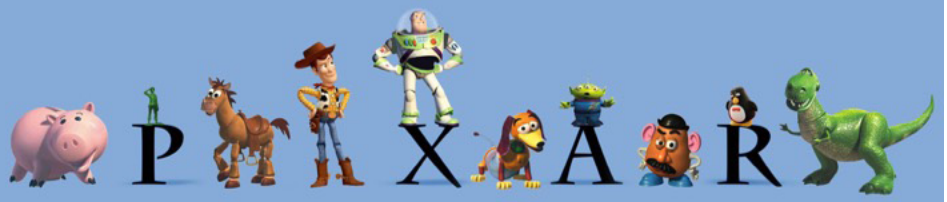


Why is Storytelling Important in Persuading Judges and Juries?

"It's not hard to make decisions when you know what your values are." - Roy Disney

- Help frame how jurors and judges process and interpret evidence
- Jurors use stories to measure the information presented to them against their own beliefs, values and experience

Why is Storytelling Important in Persuading Judges and Juries?

"Sometimes reality is too complex. Stories give it form." – Jean-Luc Godard

- Organize information
- Prevent information overload
- Explain to jurors where they will be going and how to get there

Why is Storytelling Important in Persuading Judges and Juries?

"Tell me a fact and I'll listen. Tell me the truth and I will believe it. Tell me a story and it will be with me forever." - Indian proverb

- Allows trial lawyers to condense information to make it memorable
- Stories have stickiness.

Why is Storytelling Important in Persuading Judges and Juries?

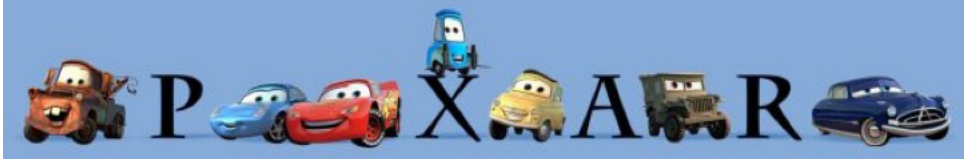
Boredom is "the sounds of lawyers droning on and on with their technical arguments, their redundant questioning of reluctant witness, the subtle points which are relevant only to them." – Dana Cole

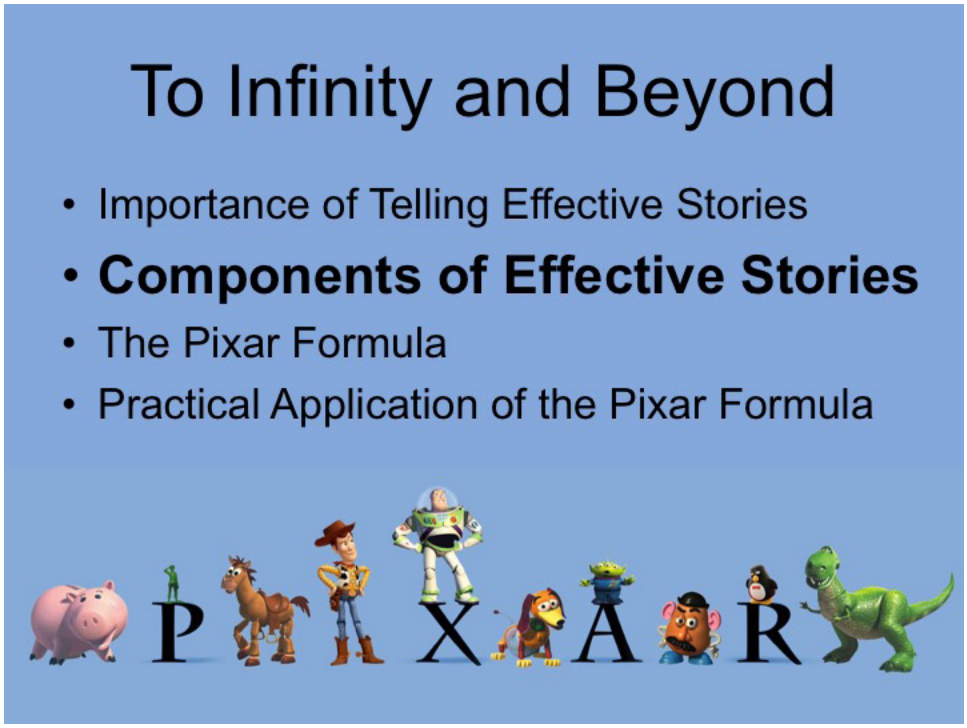
- Keep contemporary jurors interes
- Encapsulate key principles or themes that points the jury to the inevitable conclusion

Importance of Telling Effective Stories

Word of Caution

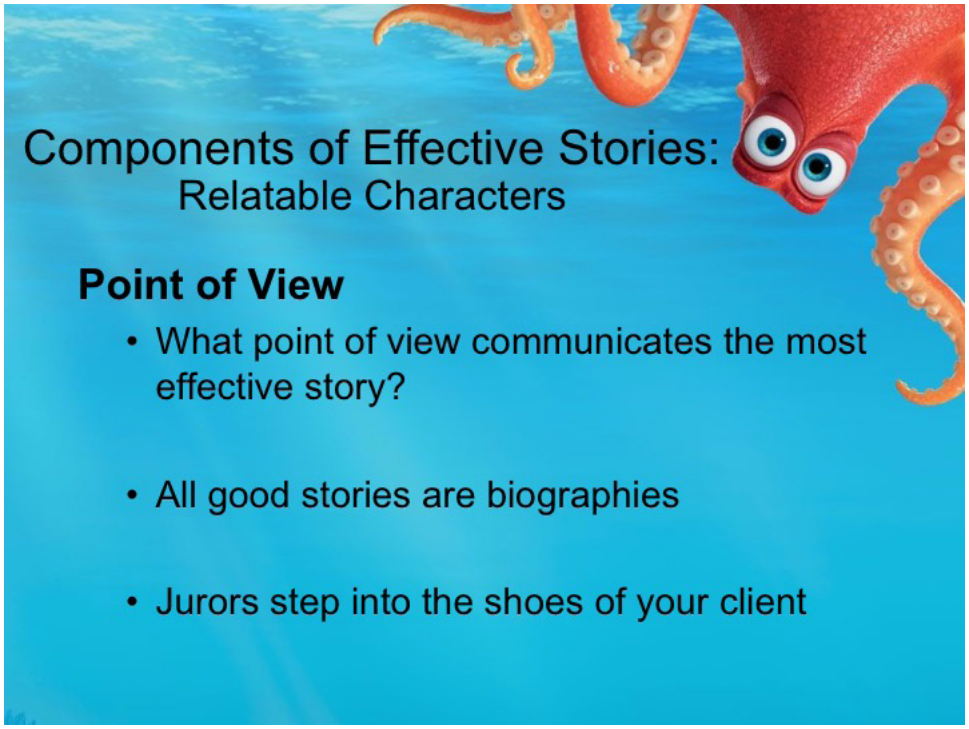
- Story must have solid evidentiary basis
- Subtlety is key



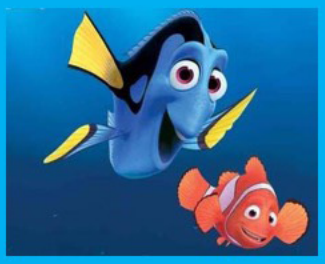

To Infinity and Beyond
• Importance of Telling Effective Stories
• Components of Effective Stories
• The Pixar Formula
• Practical Application of the Pixar Formula


Components of Effective Stories
Develop Relatable Characters
Tell Us What Really Happened
Are Memorable
Emotionally Transport Us
Includes a Theme Identifying a Universal Principal
Follows a Structure


What Makes and Effective Story?
Develop relatable characters
• Make the parties and the witnesses characters in your story
• Stories make the jury like and understand your client


Components of Effective Stories:
Relatable Characters
Point of View
• What point of view communicates the most effective story?
• All good stories are biographies
• Jurors step into the shoes of your client

Components of Effective Stories:
Relatable Characters



Likeable characters

experience misfortune through no fault of their own, attempt to save others, show courage and take personal risk

Unlikeable characters

self-serving, betray trust or fail to keep promises, blame others, complain, take all the credit

Components of Effective Stories:
Relatable Characters

Stories help personify corporations and make jurors sympathize with it

- Stories can help put a face on the corporation
- Corporations hire hardworking people with good intentions
- Most corporation work for a higher purpose

What Makes an Effective Story?

Tell us what really happened

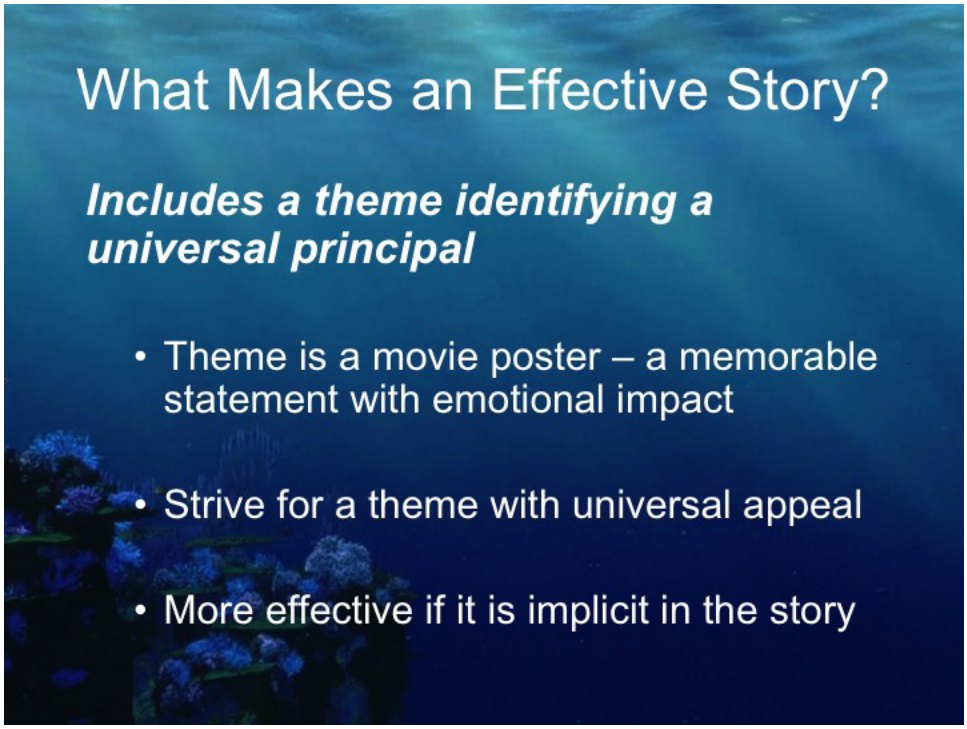
- Stories help answer what the case is about
- Stories allow jurors to visualize
- Your story represents the truth, a correct and believable statement of what happened

What Makes an Effective Story?

Are memorable

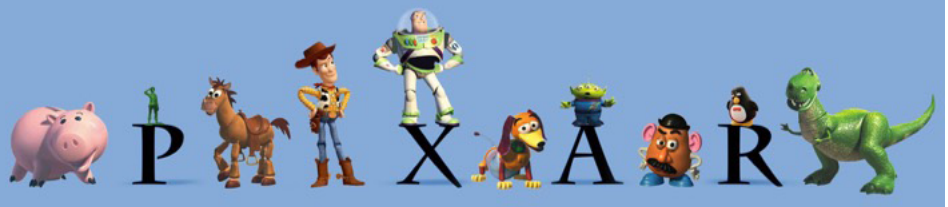
- Stories provide jurors with a memorable and persuasive framework for their recollection of critical case facts
- Stories capture juror's imagination

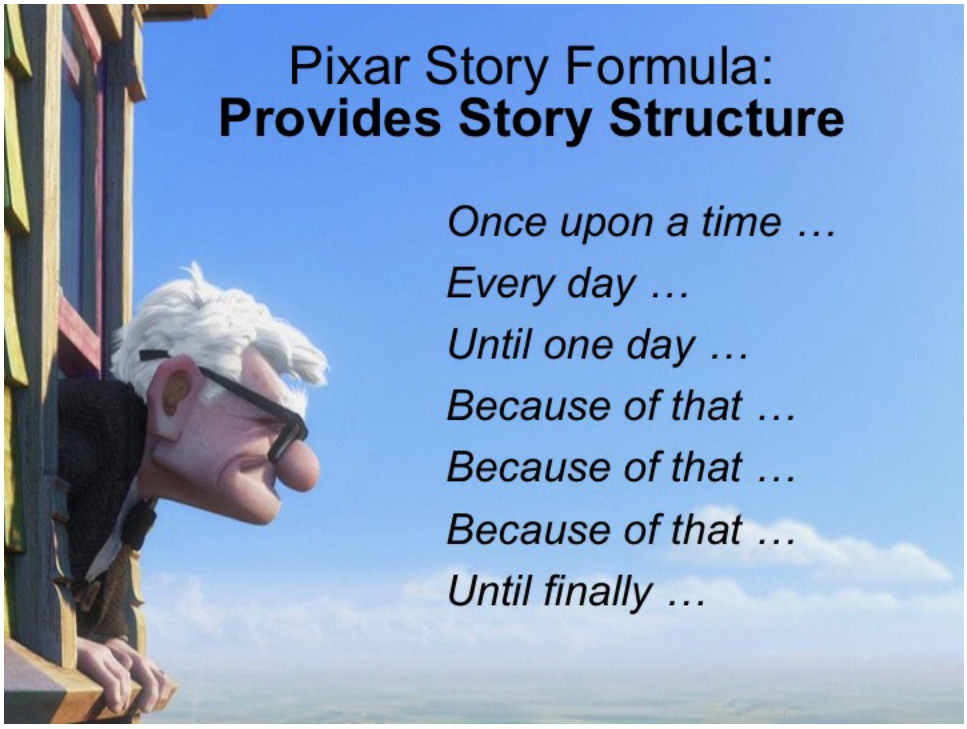

What Makes an Effective Story
Emotionally transport us
"Can I see another's woes, and not be in sorrow too? Can I see another's grief, and not seek for kind relief?" – William Blake
• Get judges and jurors to respond emotionally to cold hard facts and law
• Client is deserving/worthy of justice

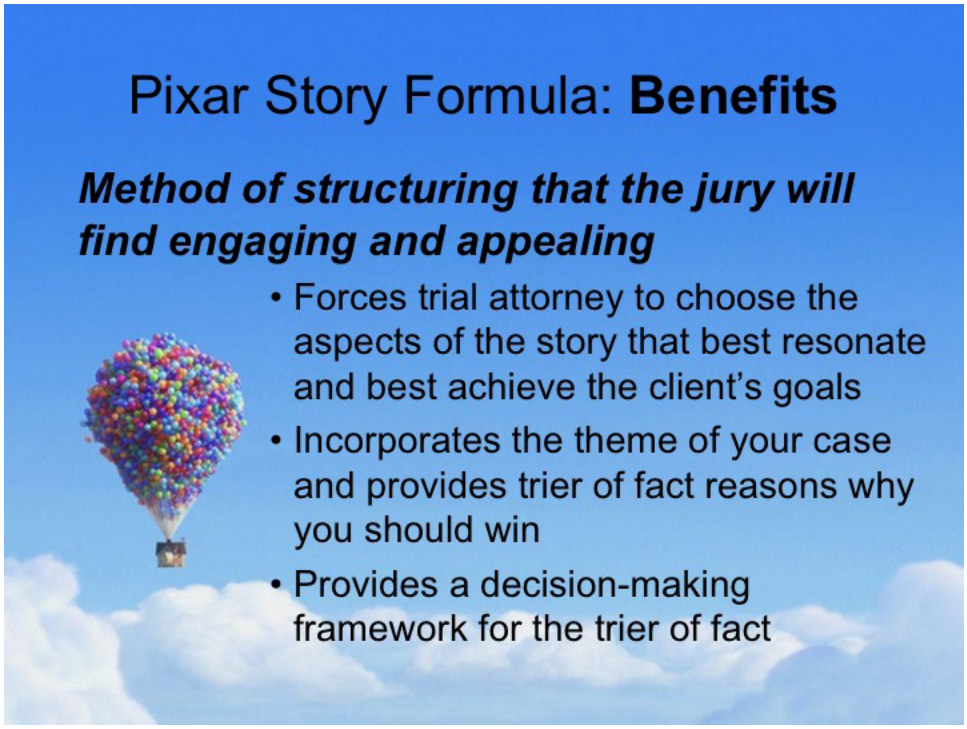

What Makes an Effective Story?
Includes a theme identifying a universal principal
• Theme is a movie poster – a memorable statement with emotional impact
• Strive for a theme with universal appeal
• More effective if it is implicit in the story

To Infinity and Beyond

- Importance of Telling Effective Stories
- Components of Effective Stories
- **The Pixar Formula**
- Practical Application of the Pixar Formula




Pixar Story Formula:
Provides Story Structure
Once upon a time …
Every day …
Until one day …
Because of that …
Because of that …
Because of that …
Until finally …


Pixar Story Formula: Benefits
Method of structuring that the jury will find engaging and appealing
• Forces trial attorney to choose the aspects of the story that best resonate and best achieve the client's goals
• Incorporates the theme of your case and provides trier of fact reasons why you should win
• Provides a decision-making framework for the trier of fact

Pixar Story Formula: **Benefits**

Ensures that trial lawyer will give a succinct story

- Tells the judge and jurors the plotline
- Distills mountains of complex evidence
- Dumping all of the facts leads to confusion

Pixar Story Formula: **Benefits**

Provides a clear framework to follow

- Where a narrative is unclear or inconsistent, ambiguity thrives
- Jurors will use your client's story structure rather than trying to create their own version
- Allows jurors to transcend the case

Pixar Story Formula: **Benefits**

Introduces main character of your story

- When you character/client is battling against all odds, facing adversity or their back is against the wall, you have the makings of a good story
- Alternatively, plaintiff and third-parties can be the main character of your story

Pixar Story Formula: **Word of Caution**

- The formula is not the story
- Ensures that the building blocks are in the right place
- However, every piece of evidence and testimony should be presented to support your central story

Pixar Formula	Structure	Function
Once upon a time …	Beginning	The world of the story is introduced and the main character's routine is established.
Every day …		

Pixar Formula	Structure	Function
Once upon a time …	Beginning	The world of the story is introduced and the main character's routine is established.
Every day …		
But one day …	The Event	Main character breaks the routine.

Pixar Formula	Structure	Function
Once upon a time …	Beginning	The world of the story is introduced and the main character's routine is established.
Every day …		
But one day …	The Event	Main character breaks the routine.
Because of that …	Middle	There are dire consequences for having broken the routine. It is unclear if the main character will come out alright in the end.
Because of that …		
Because of that …		

Pixar Formula	Structure	Function
Once upon a time …	Beginning	The world of the story is introduced and the main character's routine is established.
Every day …		
But one day …	The Event	Main character breaks the routine.
Because of that …	Middle	There are dire consequences for having broken the routine. It is unclear if the main character will come out alright in the end.
Because of that …		
Because of that …		
Until finally …	The End	Main character succeeds or fails, and a new routine is established.

To Infinity and Beyond

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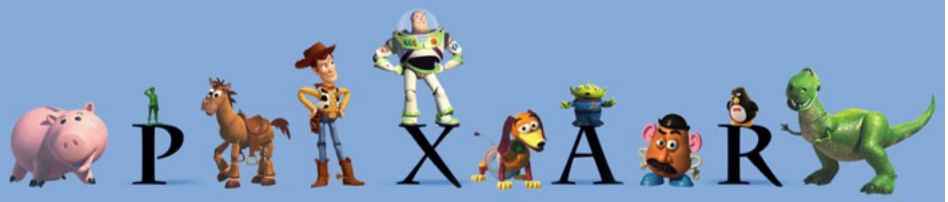


Practical Application of the Pixar Formula

How can you use the formula in trial briefing, opening and closing arguments?

Practical Application of the Pixar Formula:

Trial Briefing

Without relying on storytelling, trial briefs will be lifeless and incomplete

Formula establishes a frame of reference for the trial that will come

Practical Application of the Pixar Formula:

Opening Statement

Formula allows you to present major points in our clients story

Jurors will have a clear beginning, middle and end that they can use to frame the evidence at trial

Goal of trial counsel is to influence jurors tendency to develop own stories

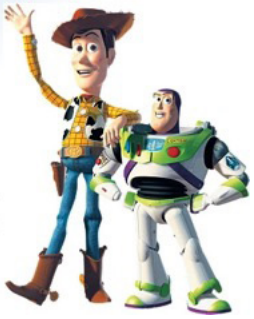
Practical Application of the Pixar Formula:

Opening Statement

Formula helps the juror form a basis for how the case should come out

Documents and visual aids should be linked to the story and key evidence should be placed in the narrative

Formula allows you to present your case to the jurors in a clean, simple, understandable way while maintaining interest



Practical Application of the Pixar Formula:

Closing Argument

Formula helps tell your client's story and emphasize the moral/universal principal

Sound the call for the resolution your story demands – a verdict in favor of your client.

Leave the jurors with the feeling that they will do the right thing.

Just Remember What Your Old Pal Said…

- ✓ Successful trial lawyers are master storytellers.
- ✓ In-house counsel must be involved in helping trial counsel tell the story.
- ✓ Stories keep plaintiff's attorneys from controlling the narrative in the case.
- ✓ Use stories to stay on point and focus on the characters of the story.
- ✓ Each juror should be part of the story and should help you write a happy ending.
- ✓ Stories work, use them in all phases of the trial.

… You've Got a Friend In Me.

ANTHONY J. ROSPERT

Partner

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As a partner in the Business Litigation group, Tony helps clients overcome legal obstacles in order to protect their assets and manage litigation risk in pursuit of their strategic goals. He believes that a big part of his job is assessing risk for his clients in order to help them make the best possible decision. Tony also views himself as a legal quarterback for in-house counsel by matching the needs of his clients to the resources of Thompson Hine in order to ensure success.

Tony has a passion for helping his clients succeed by treating them like his best friends by being loyal, well-connected and honest with them about the strengths and weaknesses of their legal positions. As a result, clients rely on Tony as a "go-to" litigator for their most significant matters. Outside the courtroom, Tony is a certified BBQ judge and judges 7-10 sanctioned competitions per year.

Tony focuses his practice on complex business and corporate litigation involving financial service institutions, real estate development and management companies, commercial and contract disputes, indemnification claims, shareholder actions, business transactions, class actions and D&O litigation.

Litigation can prove time-consuming and become costly, so for many disputes there may be more effective methods of resolution than traditional court litigation. Although Tony has an impressive record of courtroom achievements, he seeks to optimize case outcomes while managing the costs, time and stress of a lawsuit by regularly using arbitration, mediation and other forms of alternative dispute resolution (ADR) as pragmatic ways to meet his clients' needs.

Areas of Practice
- Business Litigation
- Securities & Shareholder Litigation
- Environmental

Presentations
- "Finding, Vetting and Using Financial Experts in Business Disputes," CMBA, November 14, 2017
- "Effective Legal Project Management for Trial Lawyers," Network of Trial Law Firms, October 28, 2017
- "Leveraging Your Resources: Effective Legal Project Management," Association of Corporate Counsel, January 26, 2017
- "Recent FRCP Changes Afford Opportunities For Cost Saving," Network of Trial Law Firms, April 16, 2016
- "Don't Put the Cart Before the Horse: Why Are Early Case Assessments Critical?," Network of Trial Law Firms, August 7, 2015
- "Don't Get Burned: Allocating Risk in Contracts," Association of Corporate Counsel, July 16, 2015
- "We Are Never Getting Back Together: Owner Disputes in Closely-Held Businesses," CFA Society, May 2015

Distinctions
- Member of Crain's Cleveland Forty Under 40 Class 2013
- Listed as an Ohio Super Lawyers ® Rising Star in Business Litigation, 2009, 2010, 2013, 2016 and 2017

Education
- Vermont Law School, J.D., magna cum laude, senior editorial board, business manager, Vermont Law Review
- John Carroll University, B.A., magna cum laude, Outstanding Political Science Major

DEPOSITIONS: PREPARING FOR BATTLE

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Preparing Witnesses for Battle[1]
Sawnie A. McEntire

Depositions are battlegrounds, and the weapons are "words." Preparing a "company witness" for deposition in high stakes litigation is challenging. When skilled lawyers represent the opposing party, effective preparations become even more important. This paper discusses ways to effectively prepare a company witness for deposition and provides specific recommendations on what to do and what not to do.

The ultimate goal is to prepare every witness as an advocate for the company. Whether the witness is a lower-level employee or a senior executive, the goal is the same. However, there are special considerations relating to so-called Rule 30(b)(6)[2] witnesses because such designated witnesses have additional responsibilities to represent the company and, accordingly, must testify on the basis of corporate knowledge beyond their personal knowledge.

Every witness should feel comfortable in the deposition room. Many witnesses, particularly newcomers, will be anxious about the deposition experience, and they need reassurance. Because many witnesses are strangers to litigation, they may dread the deposition room as if it were a Star Chamber. It is important to defuse this anxiety, and an effective way to achieve this goal is teaching basic "witness techniques." This gives the witness comfort through a heightened sense of control.

A witness practiced in good technique—how to listen and spot dangerous or difficult questions and the negative inferences crafted into such questions—is better equipped to handle a challenging cross-examination. Learning how to implement good technique also helps witnesses avoid falling into traps when faced with surprise questions or unexpected documents.

Witness preparations should not be hurried. The preparations also should not be limited to a mere review and regurgitation of documents and facts. Rather, witness sessions should be used to teach the witness how to manage tempo, handle documents, spot bad questions, avoid adverse sound bites, and convey the company's trial themes. These basic skills become important when the witness is caught off guard or feeling pressure during an aggressive examination.

Different Witnesses Capacities

A primary distinction between a Rule 30(b)(6) witness and an "individual" witness is the relevant scope of knowledge. Witnesses appearing in their individual capacities are deposed concerning their

1 Selected portions of this article are derived from the book by the same author, entitled Mastering the Art of Depositions © American Bar Association, 2016, as well as "Preparing the Company Witness for Deposition," Chapter 6, From the Trenches, Volume II © American Bar Association, 2017.

2 Federal Rule of Civil Procedure 30(b)(6) sets forth the rules governing corporate representative depositions. Most state court jurisdictions have similar rules. Accordingly, the reference to Rule 30(b)(6) depositions is a generic reference intended to encompass all such depositions regardless of jurisdiction.

personal knowledge. A witness appearing in an individual capacity should be instructed to testify only to what they personally know, and speculation should be discouraged.

On the other hand, corporate 30(b)(6) witnesses bind the company with testimony concerning pre-selected topic areas where they may have no personal knowledge. Accordingly, because corporate knowledge frequently exceeds personal knowledge, such witnesses must reasonably educate themselves on corporate knowledge concerning the relevant topics and must conduct factual research.[3] The corporate witness(es) should also be prepared to advocate the company's position on broader topics. This frequently requires enhanced witness skills.

The Federal Rules of Civil Procedure do not require that a corporate entity designate the person or persons most knowledgeable about the topic categories in a 30(b)(6) deposition notice.[4] However, some state court jurisdictions have more stringent rules. Therefore, an understanding of the pertinent procedural rules is important. If the rules require a corporate witness be "most knowledgeable," then the witness selection process should focus on employees with greater involvement in the underlying events or transactions. In some cases, there may be more than one such witness.

Clearly, a witness may have knowledge concerning certain topics, but may be unfamiliar with others. Regardless of the procedural requirements, however, it is helpful to identify witnesses who have some foundation in the underlying facts because this knowledge provides a head start in deposition preparations.

First Orders of Business

Every witness is different, and each comes to the deposition room from a variety of backgrounds and experiences. If a deposition involves a Rule 30(b)(6) witness, the lawyer should participate in preliminary discussions to identify the best possible candidates. The goal is to identify intelligent witnesses who are teachable, make good appearances, and can learn basic witness skills. The witness' willingness and commitment to fully participate in preparation sessions is also important. Pre-deposition sessions should not be abbreviated or rushed because of calendar conflicts.

Some witnesses are highly educated; some less educated; some are natural advocates; some are challenged regardless of preparation. Some are veteran testifiers, and some are beginners. But, regardless of whom they are, and regardless of whether the witness is a corporate or individual witness, a presenting lawyer should strive to establish rapport and trust with the witness. A lawyer/witness team should be formed. The ensuing trust will reap significant dividends—the witness will feel more comfortable (less anxious) knowing the lawyer will protect his or her interests.

One effective way to enhance a witness's comfort level involves a basic orientation to the deposition process. This is achieved by following some simple steps:

- Explain what will happen in the deposition room, who will ask questions, and what the lawyers' roles will be.
- Show the witness the deposition room so the witness can visualize where the deposition will occur.
- Explain the purpose of objections and what the witness should do if an objection is made.
- Reassure the witness that the case will not be won or lost on his or her testimony alone.
- Teach the witness basic techniques for responding to different types of questions and how to spot problematic, highly charged, leading, argumentative, ambiguous, or objectionable questions.
- If known, advise the witness concerning the personalities of the opposing lawyers so the witness is not caught off-guard by aggressive or confrontational behavior.
- Encourage the witness to take breaks when needed to avoid fatigue or alleviate stress.

3 Most jurisdictions impose a duty on a "corporate" witness to undertake reasonable efforts to prepare for such depositions.

4 QBE Ins. Corp. v. Jorda Enterprises, Inc., 277 F.R.D. 676, 688–89 (S.D. Fla. 2012) (The rules do "not expressly or implicitly require the corporation or entity to produce the 'person most knowledgeable' for the corporate deposition.").

- Remind the witness that a deposition is not a memory test.
- Provide the witness with a short course on deposition etiquette, attire, and posture; appearance is always important, particularly in video depositions.
- Explain how and why a video record is made and instruct the witness on the best (and most appealing) way to sit and respond to questions in the presence of the video camera.
- Show the witness how to assert control over the tempo of the deposition, and how to best avoid being rushed into answering questions.

Using Documents in Preparations

A second order of business is determining what documents can (or should) be shown during witness preparations. There are different criteria involved for individual witnesses as distinguished from Rule 30(b)(6) witnesses. As a general rule, a lawyer should exercise restraint in how many documents are presented to an individual witness to prevent document fatigue. Of course, a Rule 30(b)(6) corporate witness must be shown sufficient documents to reasonably prepare for the anticipated testimony, and it is important for preparing lawyers to have a working knowledge of key documents so this process is efficient. The lawyer is a teacher, and a teacher cannot instruct the pupil unless the teacher knows the course materials.

What is shown to the witness may be discoverable under various discovery doctrines and, therefore, appropriate precautions should be taken to protect sensitive or "undiscoverable" documents. This certainly includes privileged communications, attorney work product, attorney notes, and sensitive documents not previously requested during discovery. The lesson here is to be careful: *what is shown in the preparation room may not stay in that room.*

Document-intensive cases typically require substantial document review by fact witnesses with the lawyer acting as a tour guide of what is significant. But, if documents are used during the preparation session to refresh the witness's memory, then these documents are likely discoverable depending on the discovery rules of the relevant jurisdiction. Determination of discoverability is, again, not always an easy question. Thus, an important order of business is to determine which documents may or may not be discoverable if shown to the witness.

Document fatigue can be a serious problem. Information overload is a risk because many witnesses are overwhelmed when too many documents are discussed or reviewed. No witness can be expected to review dozens, much less hundreds, of documents and then asked to absorb or memorize the contents of those documents. This would be a numbing exercise for anyone.

For these same reasons, lawyers should be sensitive to not exposing a witness to excessive facts. The witness may become confused and lose focus of key trial themes. When deposed, the witness may confuse facts that the witness *actually knows* based upon personal knowledge with facts known to others. Thus, a witness appearing in an individual capacity is best prepared if instructed to limit his or her answers to only what is personally known, and the witness should not travel beyond these easily defined boundaries.

Briefing Binders

The lawyer should make sure the Rule 30(b)(6) witness is provided with appropriate documents relevant to the topic areas to be addressed at the deposition, and one easy way to accomplish this objective is to provide a briefing binder. A binder, once completed, is a valuable tool when working with the lawyer or as individual homework. The binder will include key pleadings, key exhibits and key discovery.

The briefing binder can include a chronology if the case is factually complex or document intensive. However, once again, caution should be exercised because this binder is likely discoverable. Nothing should be included in the binder unless the presenting lawyer is confident that, if discovered, the binder will not create new problems or embarrassment.

Using Briefing Binders in Deposition

Some lawyers elect to use a briefing binder in the

actual deposition so the witness can use the binder as a reference tool. A briefing binder can contain the most important (helpful) documents relevant to the examination and these documents should be arranged either chronologically or by topic category. The witness should be encouraged to consult the binder when needed during the examination, and to refresh his or her memory on key events or key documents. Such binders are a great psychological crutch providing significant comfort to the witness. Again, nothing should be placed in this binder unless it is helpful. Clearly, no privileged, uniquely sensitive, or harmful documents should be included.

Hot Documents and Key Documents

Every company witness should be exposed to sufficient facts to understand the background of the case and the witness's role in the case. For a Rule 30(b)(6) witness, the witness should be exposed to key documents to understand the story line of the case and the topics that will be addressed during the deposition. At a minimum, every witness should be familiar with those documents the witness personally authored or received during the ordinary course of business. The lawyer also should segregate and review particularly helpful or "hot" documents. It is a best practice to assume the witness will be examined with "hot" documents, *that is,* those documents prejudicial to the witness or the client's case. By preparing the witness with these types of documents, the witness is better prepared to handle confrontational questions.

Technique vs. Content

No witness is a sponge who can absorb facts endlessly. Witnesses should not be forced to memorize numerous documents. There is a frequent temptation to teach a witness too many facts, and this temptation carries risk. This is particularly so in large, factually complex cases that involve voluminous documents.

An individual witness should be shown only those documents the witness authored or received, or other "hot" documents reasonably expected to be used at the deposition. The corporate witness should also be shown key documents fairly responsive to the corporate notice or which are needed to provide working knowledge of the company's position. Anything beyond this may have diminishing returns.

In a similar vein, no witness should be forced to memorize factual minutiae. Few witnesses can pass intense memory tests, and this memory challenge increases when the witness is exposed to the stress of an aggressive cross-examination. A typical witness will stumble under such pressures.

Thus, in lieu of force-feeding endless documents or facts to a witness, it is a better practice to teach good "witness techniques." This is done by teaching methods on how to spot bad questions, difficult questions, and objectionable questions, and still provide answers that are positive and consistent with the company's case. Once good witness techniques are grasped and understood, the handling of documents and difficult questions becomes less onerous. The witness will feel more comfortable and will gain self-confidence.

Primary and Secondary Facts

Another helpful strategy is to "rank" facts by relative importance. Few witnesses need to know everything about a case, and many witnesses have limited factual roles. Thus, for individual witnesses, there are basically two categories of facts: those facts already known to the witness and those facts reasonably inferred from personal knowledge.

Personal Knowledge and Speculation

Corporate representatives are required to prepare for deposition by making reasonable factual inquiries to address preselected topic categories. This due diligence is dictated by the procedural rules of each jurisdiction and, as such, these duties may vary. But, as a general matter, the Rule 30(b)(6) witness is required to undertake reasonable efforts to learn about the company's knowledge. With this singular exception, fact witnesses should be instructed to testify only on the basis of personal knowledge, and to not guess or speculate in their answers. Speculation is always risky and creates problems for the witness, the testimony, and the lawyers.

Individual witnesses should stick with what they know, and this instruction is made easy by focusing on how we, as human beings, typically acquire personal knowledge. Simply put, personal

knowledge is derived from our five (5) physical senses, and from reasonable inferences from those senses, and every individual witness should be instructed on this simple reality. Thus, testimony should be limited to what the witness saw, heard, felt, smelled, tasted or reasonably inferred.

If a witness does not "know" facts within this sensory framework, then the witness does not have personal knowledge. If the witness does not have personal knowledge, then the witness begins to speculate, leading to objectionable or dangerous testimony. Thus, a preparing lawyer should instruct each individual witness to stay within this framework, and to not stray from what is "personally" known. The witness should be given the comfort that he or she can simply say "I was not involved, so I do not know" or "I never saw that document, so I do not want to guess." This is a best practice to avoid the hazards that accompany speculation.

Different Types of Questions

Depositions are obviously conducted using different conversational rules than those used in informal social interactions. What is said and how something is said in everyday, informal conversation is not how a witness should behave in a deposition. The witness must understand it is important to be guarded, and more disciplined in word selection to avoid misinterpretation or distortion by the other side.

A witness should be made aware of the differences between open-ended questions and leading questions, and using examples of each during mock practice exercises will help the witness understand these differences. The witness should be instructed to expect leading questions that are tough, aggressive, and challenging. Using concrete examples are an excellent teaching tool, exposing the witness to the tone, pace, and the confrontational nature of an aggressive examination. This will help get the witness ready—both psychologically and substantively.

The witness should become familiar with open-ended (or direct) questions that seek narrative or descriptive responses. The clear signal words for such questions are *"how," "what," "when," "where,"* and "*who*." A witness also may be asked to "describe" or "explain" certain events. When responding to these types of questions, however, the witness should be mindful to not volunteer information not specifically addressed in the question. The answers should be short, concise, and to the point. If the witness goes beyond a disciplined answer, then the response may inspire new questions on new topics the opposing lawyer never contemplated.

Ambiguity is frequently the enemy of truth because interpretations can be distorted or manipulated. Thus, every witness should be instructed to exercise care in making sure that questions are clear and unambiguous. Discerning ambiguity is a difficult task for any person who does not have substantial experience in listening to the subtleties in words and phrases, particularly under the spotlight in a deposition. It is difficult to train a person to do something that is both unfamiliar and inconsistent with daily habits and routines.

It is also natural for people to volunteer testimony by falling back into informal conversational patterns because they want to be cooperative. But, a deposition is anything but informal, and the witness should be reminded of this consistently. The witness should always act reasonably in the deposition room; but "volunteering" is neither required nor recommended.

As a general rule, every witness should be instructed to limit answers, when appropriate, to "Yes," "No," "I do not know," or "I do not recall at this time." These are standard instructions that have been taught to witnesses for decades. However, a witness should understand that these brief answers may not always do justice to the testimony or fairly describe the facts. A witness, particularly a Rule 30(b)(6) witness, should be an advocate for the client's case, and he or she should be encouraged to supplement his or her answers to make sure that a mere *"yes"* or *"no"* is not lifted out of context.

Identifying Loaded Questions

Every witness should be taught to listen carefully to each question before answering, and to make sure the question is fully understood—that is, every word in every question. Emphasis should be placed on the notion that all words are important, and the

witness must learn to exercise patience and not rush into answers. A witness should listen to each word in each sentence, and make sure he or she understands both the question and the inferences (usually negative) created by the question.

A refresher course in basic grammar may be helpful. The witness should be reminded that sentences include different types of words having different functions —nouns, pronouns, verbs, prepositions, adjectives, and adverbs. Adjectives and adverbs give everyday language more power and punch. Special nouns and verbs are used to communicate enhanced qualities or action. The key is to look for dramatic word play in the question. If possible, and if time permits, the witness should participate in exercises in spotting "punchy," aggressive, or "loaded" words.

Words can be used to generate power, emotion, and drama—this is how lawyers develop the Pathos, Logos, and Ethos of their case. More specifically, this is where the emotional impact of a question is invoked, and the answer may become irrelevant because the jury message is embodied in the question itself. Some lawyers call this the "sting" of the question.

Good trial lawyers use every opportunity to advocate their case, and this advocacy is frequently reflected in the barbed words or phrases in the questions they ask, and how these questions are presented in both tone and intensity. Many skilled lawyers will have an inventory of pre-planned "attack" words to communicate desired messages to the jury. The witness should be aware that these attack words literally alter the character of a question, the inferences created by the question, and any answers provided.

Adverbs are like adjectives because they are word enhancers used to heighten action verbs. Here are a few examples that frequently find their way into aggressive questions. They are quickly recognized as the "Y" words: especially, hardly, likely, possibly, probably, dangerously, knowingly, intentionally, falsely, purposefully, carelessly, recklessly, wrongfully, maliciously, grossly, negligently, and poorly. These are just a few examples, and the list goes on and on.

Every witness should be counseled to listen to each sentence, spot the drama words, spot the "Y" words, and make sure the answer defuses the barbed nature of the question. A mere "yes" or "no" to loaded questions may result in the witness's adoption of the opposing lawyer's dramatic characterizations, and this is precisely what is intended. Thus, every witness should understand that such characterizations are loaded to benefit just one side, and meant to harm the witness and the company.

When responding to loaded questions, every witness should be counseled to politely disagree with unfair descriptions or negative inferences built into the question. Again, by answering "yes" or "no" to these unfair questions, the witness effectively adopts the lawyer's words. Alternatively, a fair response can be prefaced with a statement that the witness disagrees with the lawyer's characterizations, and then proceed with a specific answer. This technique is preferred since it diffuses the offensive nature of the question itself.

A witness also may rephrase the question in the response, making it clear the witness is eliminating unfair words or phrases, and then provide a specific answer. By qualifying responses in this manner, the sting of the question is removed. Again, every witness is different in terms of his or her ability to handle aggressive lawyers and their questions. Practice is important.

Identifying Compound Questions

Prepositions and conjunctions are important words, and their use likely signals compound questions. Whenever a question includes the word and, either, or, neither, or nor, then there is likely more than one subject in the question. Although compound questions are often harmless, this is not always the case. The witness should be taught to spot this type of double question and request the examining lawyer to break the question into distinct parts before providing an answer. The witness also can ask the court reporter to restate the question, and this provides an additional opportunity to make sure all moving parts to the question are defined.

Identifying Questions That Are Not Questions

Many loaded questions are not questions at all,

but simply the lawyer's declarative statements disguised as questions. In reality, the opposing lawyer is putting words into the witness's mouth, and then seeking to force an adoption of these words by limiting the witness to a simple "yes" or "no" answer. A simple way to spot these questions are telltale phrases routinely used by most lawyers, and every witness should be counseled to be alert for these verbal red flags. These phrases invariably betray the fact the examining lawyer is not interested in narrative testimony, but is seeking a coerced agreement with the lawyer's spin, and this spin is likely inflammatory. Here are examples of red flags:

Red Flag Phrases:

Isn't it reasonable that . . . [declarative statement]

Isn't it fair to say that . . . [declarative statement]

Isn't it correct to say that . . . [declarative statement]

Isn't it possible that . . . [declarative statement]

Isn't it probable that . . . [declarative statement]

Isn't it likely that . . . [declarative statement]

Would you agree with me that . . . [declarative statement]

Would it be fair to say that . . . [declarative statement]

Would it be reasonable to conclude that . . . [declarative statement]

Do you not agree that . . . [declarative statement]

[Declarative statement] . . . right?

[Declarative statement] . . . correct?

All witnesses need to understand they cannot be forced to answer questions without an opportunity to explain. Every witness should be encouraged to request the right to explain a "yes" or "no" answer or, if he or she disagrees with the inferences created by the question, to plainly say so. This encouragement inspires self-confidence since the witness knows that he or she can push back on the examiner, and is not forced to play a purely passive or defensive role in the deposition.

The "Possibility" Questions

"Possibility" questions frequently surface in depositions, and they represent thinly veiled attempts to solicit speculation. Human nature is such that most witnesses want to cooperate with others in social settings, and witnesses tend to engage in informal conversational habits. Trial lawyers know this, and they frequently lure witnesses into conceding that many things are possible, even when they are not. Before walking into the deposition room, every witness should understand all things are not possible.

Certain events may not be "possible" within the realm of a witness's personal experience. Every witness enters the deposition room with a lifetime of learning and acquired habits and, based upon these experiences and habits, it may not be possible he or she did certain things on a specific date contrary to established habits. This is so even if the witness does not have a distinct memory of what happened on a specific date.

Lawyers frequently try to take advantage of a witness's lack of specific memory to usher in "possibilities." But, even in the absence of any memory of distinct events on a specific date, the witness can truthfully reject "possibilities" because, like the sun not rising tomorrow, the suggested event makes no sense based upon the witness's knowledge, experience, and common sense.

This is a particularly important concept for Rule 30(b)(6) witnesses who are designated to testify to "corporate knowledge." By way of example, a corporate witness knows it is not possible that the company is dishonest or deceitful because he or she works with people of great integrity. Again, some things are not possible because the "possibility" defies common sense due to surrounding circumstances or past experience. A witness is entitled to reasonably infer facts that are dictated by common sense, logic, and the witness's personal experiences in life and with the company.

Summary Questions

Many lawyers use a technique of summarizing testimony in a self-serving manner, and then asking the witness to confirm the accuracy of the lawyer's summary. The obvious goal is to force a witness to commit under oath that the lawyer's summary accurately reflects the totality of the witness's testimony with nothing more to add or change. All witnesses should listen for these types of questions

and understand what the lawyer is trying to do -- "box in" the witness. Again, this is particularly important for a Rule 30(b)(6) witness.

What is said in a Rule 30(b)(6) deposition is likely binding on the company. Thus, it is important the opposing lawyer not unfairly abbreviate or limit the witness's testimony. The witness can legitimately condition his or her answers by indicating that a summary is based upon the witness's current recollection, and to make clear the witness reserves the right to supplement the list. This caveat allows the witness to supplement testimony at a later date, if necessary.

Document Sound Bites

An examining lawyer may use a multi-page letter or document as an exhibit, and then artificially limit the witness's response to a solitary sentence or phrase. The obvious risk is the lawyer is lifting the sentence out of context, whereas the entire exhibit should be reviewed to place the pending question into context.

All witnesses should be encouraged to read as much of the document as reasonably necessary to understand how the spotlighted sentence fits into the larger context. The witness should also be encouraged to resist any demand that just one sentence or a single phrase be considered without reference to the remainder of the exhibit. Of course, the goal is ascertainment of truth, and truth is frequently lost or distorted through an opposing lawyer's manipulation of words or phrases in documents.

The Witness "Bill of Rights"

There is a witness "Bill of Rights." Witnesses are not prisoners shackled to a chair; they have rights, and they should be reminded of these rights to give them a sense of control during the deposition:

- Witnesses are entitled to be treated with courtesy and respect;
- Witnesses can take breaks when fatigued;
- Witnesses are entitled to explain answers and are not limited to a mere "yes" or "no";
- Witnesses can request that questions be clarified if a question is not readily understood;
- Witnesses cannot be forced to answer questions they do not understand;
- Witnesses can request the court reporter to repeat question if needed;
- Witnesses can request to see specific documents to refresh memory;
- Witnesses can ask for a break to confer with their lawyer if questions are not pending;
- Witnesses should take their time and never feel pressured or hurried in their answers; and
- Witnesses are entitled to review the entirety of a document if examined with a document.

Understanding the Question

Again, ambiguity is often the enemy of truth. Therefore, a witness should be taught to listen to each question and make sure that a complete understanding is reached in his or her mind before proceeding with any response. To do this, the witness should be taught to listen to every word in each question. If there is any doubt as to the intended meaning, then the witness should request the question be clarified. If the presenting lawyer believes the question is ambiguous, then an appropriate objection should be made, and the witness should be taught to pay special attention to any question if an objection is lodged by the presenting lawyer.

An important lesson for every witness is that he or she is not required to answer vague questions. A deposition is not a test of whether the witness can interpret an opposing lawyer's meaning or decipher poorly crafted questions. No witness is required to answer questions that are unintelligible, and the witness is not required to guess the meaning of a question. If the witness understands this important right, the witness will be more at ease and performance will be enhanced.

Pace and Tempo

Many skilled lawyers attempt to dominate a witness through the tempo by which questions are asked.

Experienced trial lawyers know that the appearance of exercising control over the pace of the deposition is important psychologically. Quick questions prevent a witness from regaining composure during a difficult examination. Rapid-fire questions keep a witness off-balance and may cause the witness to rush or stumble when answering. A quick change in tempo may have a similar effect. Lawyers sometimes use sudden changes in voice inflections to catch a witness off-guard. A sudden explosion of righteous indignation may startle a witness, and cause the witness to lose composure or concentration. Some lawyers may alternate between a slow pace and a quickened pace to remain unpredictable.

If the witness can predict a lawyer's tempo, then the witness gains comfort. But, if the tempo is unpredictable, the witness becomes uncomfortable. A jury may later listen and view the video, and it will be intrigued by the rhythm and counter-rhythm of the examination. They will also see any insecurity or discomfort exhibited by the witness. The examining lawyer will certainly seek to control tempo since it communicates to the observer the lawyer is in control. This makes the examination more forceful and persuasive, and also creates the impression the examining lawyer is "winning" and that the witness is "losing."

Thus, the witness should be instructed to always slow down the pace. This is done by taking time to evaluate each word in every question. The witness should make an effort to never rush a response. The witness should use documents to slow the clock, taking time to review documents calmly and thoroughly.

Additional Considerations for Corporate Representatives

Initial Steps

Upon receiving a Rule 30(b)(6) deposition notice, an initial order of business is to determine whether the topic categories are objectionable. If the topic categories seek information that is either privileged or immaterial, then appropriate objections should be lodged. In appropriate cases, the responding lawyer may wish to file a formal motion for protection. Clearly, the practitioner should consult the rules in each jurisdiction to determine whether objections (or motions) must be heard before the deposition begins. In some jurisdictions, objections may be filed and the witness may be tendered subject to these objections. Objections to the topic categories might also be necessary because the deposition is premature, the notice seeks highly confidential or privileged information, or the categories are vague, ambiguous, overbroad or unduly burdensome.

Witness Selection

A next order of business is witness selection. Larger companies with substantial litigation experience may have a pool of preselected witnesses depending upon the topics outlined in the deposition notice. However, this is probably the exception to the rule, and most corporate clients do not have this resource. Thus, in most cases, a witness selection process is needed to evaluate the demeanor, acumen, and skills of possible candidates.

Who represents a corporate client in a major deposition is important, and the lawyer should play a meaningful role in the selection process. It is not uncommon to start preparing a witness for deposition and then realize there is something amiss in the witness's background or a personality quirk that makes the candidate less than ideal. A corporate client may not be sophisticated concerning the attributes of an effective witness and, accordingly, the trial lawyer should help educate the client concerning preferred characteristics. The lawyer should help evaluate the potential candidates, and provide candid feedback during this evaluation. The witness or witnesses ultimately selected should be smart, knowledgeable, likeable, and should exhibit self-confidence.

Witnesses with prior deposition experience are typically preferred since this experience helps reduce the challenge of preparing a beginner witness on the mechanics of the process. Clearly, prior familiarity with the process accelerates preparations. A veteran witness is also less vulnerable to aggressive cross-examination, and will likely exude more self-confidence under pressure during an intense examination. On the other hand, a witness who is a complete stranger to the process may enter the deposition room with anxiety and fear, and may manifest insecurity during the examination. Although there are always exceptions, a veteran witness is

typically more calm and composed under fire. All of these intangibles are important because the Rule 30(b)(6) deposition is an important opportunity to make a good impression. A corporate witness binds the organization with his or her testimony and, therefore, it is important that the best witness put his or her best foot forward.

One cautionary note is necessary. A company witness who has provided depositions on several prior occasions may carry testimony "baggage" from these earlier depositions. Such witnesses may have given prior testimony that is either unclear or inconsistent with the trial themes in the case at hand. The presenting lawyer should seek confirmation whether there is any harmful testimony in earlier depositions. Rest assured that opposing counsel will make this effort, and it is always better to avoid surprises.

Seniority

Another consideration in witness selection is whether the witness is too senior in the corporate hierarchy. The lawyer defending the deposition may wish to avoid exposing senior executives (such as a member of the board, the CEO, or the CFO) to rigorous cross-examination. An important balancing test is therefore required in making this decision. Depositions are time-consuming, and place burdens on both the company and its senior executives. Also, in larger companies, senior executives typically delegate tasks and responsibilities, and may not have direct involvement in the detailed implementation of those tasks. Therefore, the learning curve for senior executives may be significant if the factual details of job functions become an issue in the case.

Many states recognize what is referred to as the "Apex Doctrine," which allows a corporation to limit, if not prohibit, depositions of senior executives unless it can be first shown that the senior executive is personally involved in the underlying transactions. The purpose of this doctrine is to prevent unnecessary burdens on senior executives where depositions are sought for purposes of harassment or if the anticipated testimony will have minimal relevance. Some of these considerations apply to the selection process of a Rule 30(b)(6) corporate representative and why senior officials should not be presented.

Senior executives typically rise in their respective companies because they are skilled and effective at delegating tasks. However, once delegated, they often do not know the details of how specific tasks are undertaken. They look to the bottom line. If they devote valuable time to knowing all of the details, they will be less effective. They are expected to be "big picture" executives. Thus, it is often ill-advised to tender senior executives to testify because the opposing lawyer will use their lack of detailed knowledge to discredit or embarrass the witness or to imply ineffectiveness.

Selecting Attorneys as Witnesses

It is rare that a corporate representative should be an in-house lawyer. Exposing corporate counsel to cross-examination invites myriad problems and creates potential challenges to privileged communications. Wherever possible, witness selection should not include lawyers or members of a corporate legal department.

Sufficient Time to Prepare

Efforts should be made to ensure that sufficient time is provided to prepare a Rule 30(b)(6) witness. Again, the rules of practice in many jurisdictions, including the Federal Rules of Civil Procedure, require the witness (or witnesses) be reasonably prepared to discuss each topic category. If there are numerous topics requiring witness testimony, the preparation period should not be rushed or abbreviated. The court may become concerned if a witness undertakes no preparations or is obviously under-prepared. If the witness fails to review critical documents, or is otherwise unfamiliar with the contentions of the parties, the witness's credibility is adversely impacted. This in turn hurts the company. The complexity of the topic categories, and the breadth of these categories, should dictate the amount of time required to adequately prepare the witness.

Chronology

Using a chronology with a corporate witness is always helpful, particularly if the case involves multiple documents and other significant external and internal communications. A chronology can be prepared by counsel, but it should be reviewed

by the witness and the witness should personally confirm the accuracy of each entry by reference to underlying documents or other available evidence. The witness needs to be able to testify that he or she personally confirmed the accuracy of the chronology; otherwise, opposing counsel will foster the impression the witness is spoon-fed by attorney work product.

Any chronology should be neutral in tone, and it should avoid controversial descriptions that invite cross-examination. The goal is to provide a template to organize the witness's testimony and to assist the witness if the witness becomes confused concerning the timing of events, transactions, or occurrences. Once prepared and disclosed, the chronology may become a significant exhibit in the case. Therefore, every effort should be made to ensure its accuracy before disclosure and use.

Trial Themes

A corporate witness is just like a lay witness concerning the importance and use of trial themes during witness preparation. The corporate witness should have an understanding of the contentions of the client, and the client's thematic story line. This understanding is important to avoid conflicts in testimony. If the witness does not understand the ultimate objectives in the case, the witness is vulnerable during cross-examination. Moreover, the witness's testimony may unintentionally inhibit the client's theory of the case. If the witness understands the case objectives, the witness will be better prepared to respond to challenging questions.

Review of Critical Documents

Typically, privileged documents that the witness did not author or receive should not be shown to the witness during the preparation process. However, key documents that either have been or will be produced in discovery should be used.

If the witness has not reviewed critical documents that bear on the topic categories, then the adequacy of the witness's preparations may be challenged. The witness should therefore have a working knowledge of the critical documents that a jury will likely see or consider. Anything less may expose the witness to unnecessary cross-examination and will create holes in the witness's preparations.

The bottom line is that the witness should have a working knowledge of key documents, and should be comfortable in his or her understanding concerning the contents of these documents as they relate to the topic matters for the 30(b)(6) deposition. This may require independent homework, and the witness should be prepared accordingly.

Protecting Privileges

The presenting counsel should monitor and be involved in the witness's independent inquiries and investigation. The witness should not be given carte blanche and an open-ended opportunity to contact colleagues or co-workers without guidance from counsel. Otherwise, the witness may step into privileged areas creating the risk that privileged material becomes discoverable.

Certain discussions between counsel and the company witness are protected as privileged and are not subject to disclosure. Thus, one technique is to summarize the contents of privileged communications verbally. In that manner, the witness has not seen a specific document or documents that may be privileged. The witness should be reminded of the importance of preserving the privilege, and the witness should be instructed to not disclose any communications with counsel or any communication with co-workers investigating the case or the underlying incident. Such matters are protected as privileged work product under the rules of practice in many, if not most, jurisdictions.

Conclusion

In summary, all company witnesses should be prepared to address the relevant facts, and a thorough review of the facts is important to adequately prepare such witnesses for deposition. However, learning good witness techniques is also critically important. Learning these new skills will help the witness cope with difficult questions and will inspire self-confidence. This will translate into substantially improved witness performance.

Preparing Witnesses for Deposition

Sawnie A. McEntire
Parsons McEntire McCleary PLLC
August 3, 2018

The Company Witness

The Reptilian Lawyer

Threaten Survival

Inspire Fear of Injury

Inspire Fear of Financial Harm

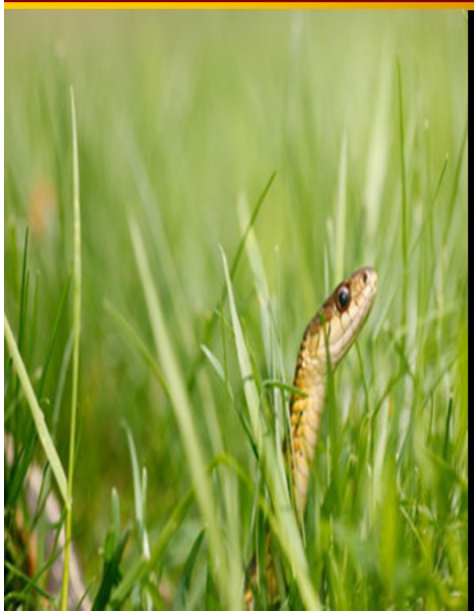
Incite Anger

Trigger Resentment

Inflame Reactionary Bias

3

The Sneaky Lawyer

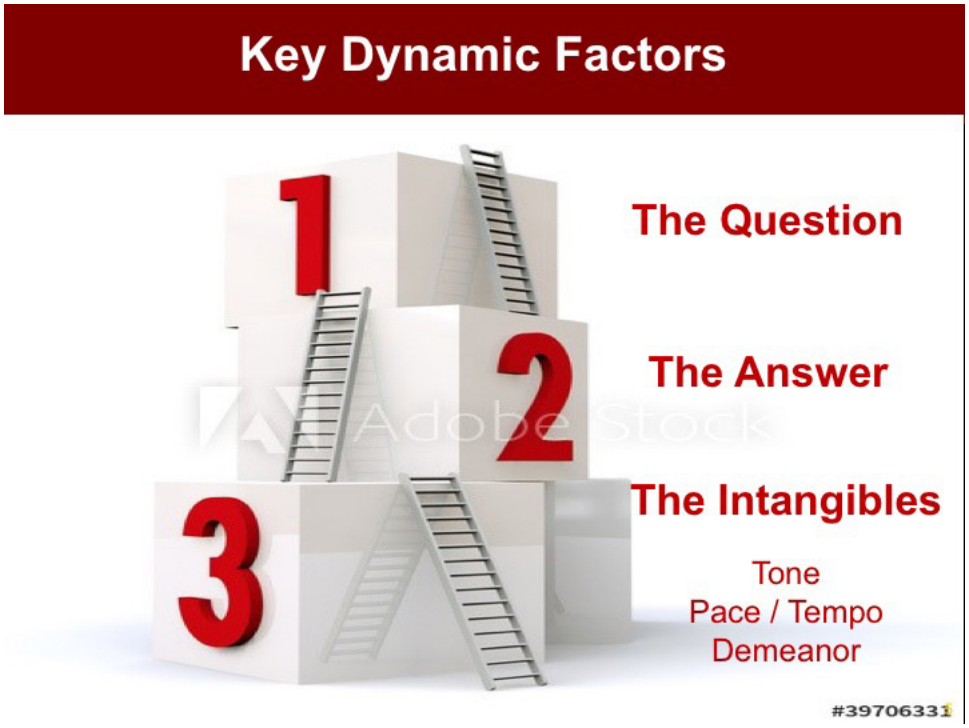


Lying in Wait

Laying Verbal Traps

Ready to Strike

4


Key Dynamic Factors
1
2
3
The Question
The Answer
The Intangibles
Tone
Pace / Tempo
Demeanor
#39706331


WITNESS RULE # 1
Tell the Truth
6

Truth = Trust = Ethos

"Character may almost be called the most effective means of persuasion".

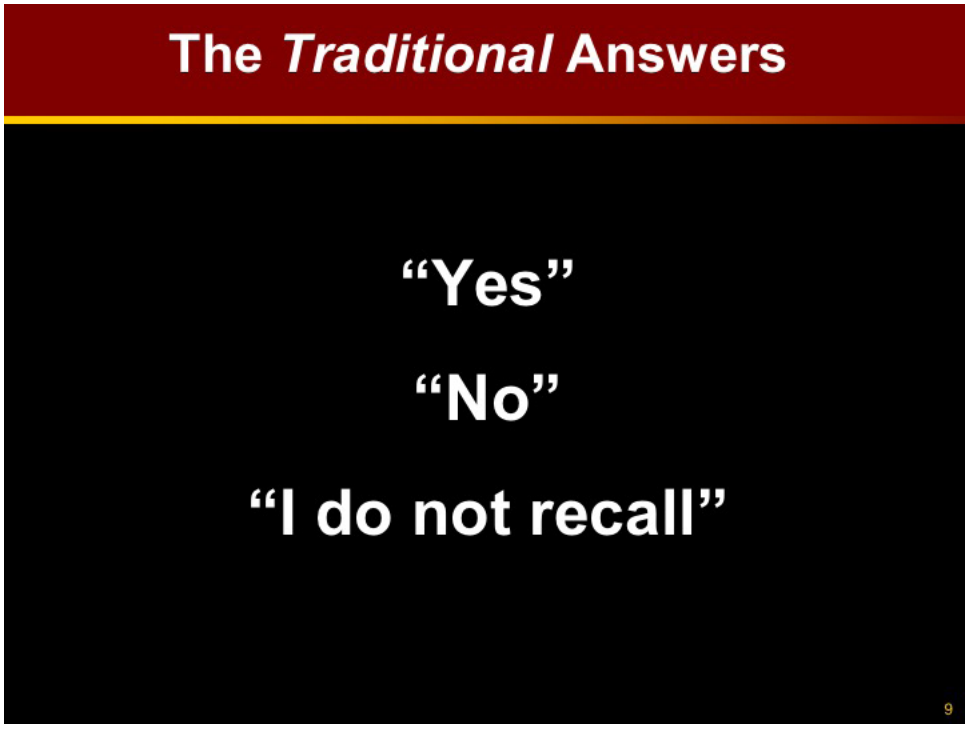
7

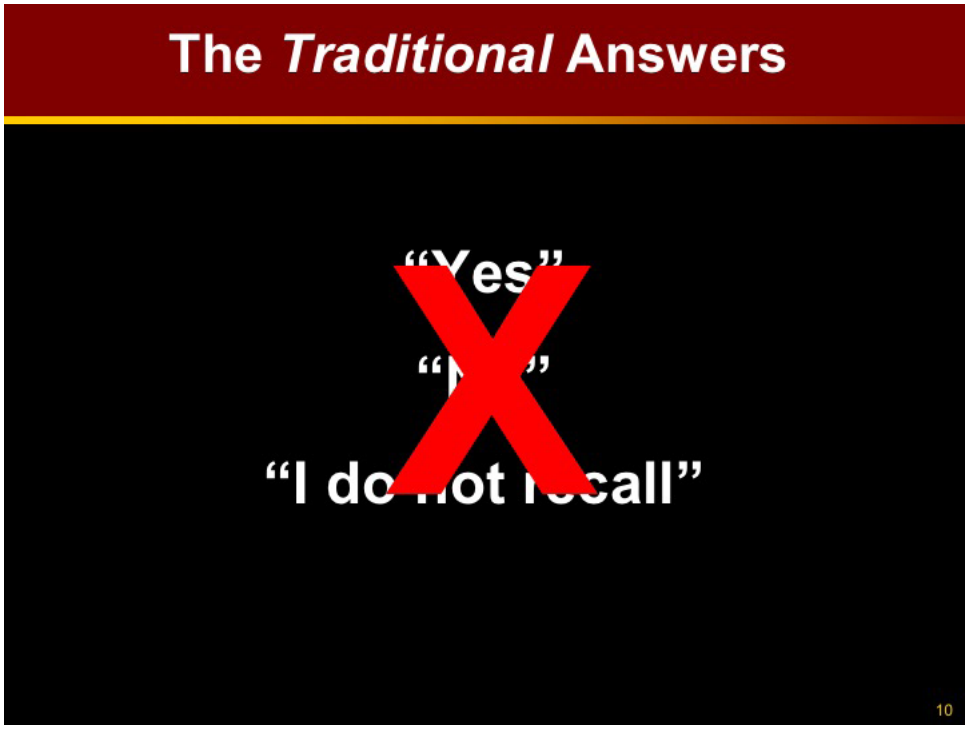
WITNESS RULE # 2

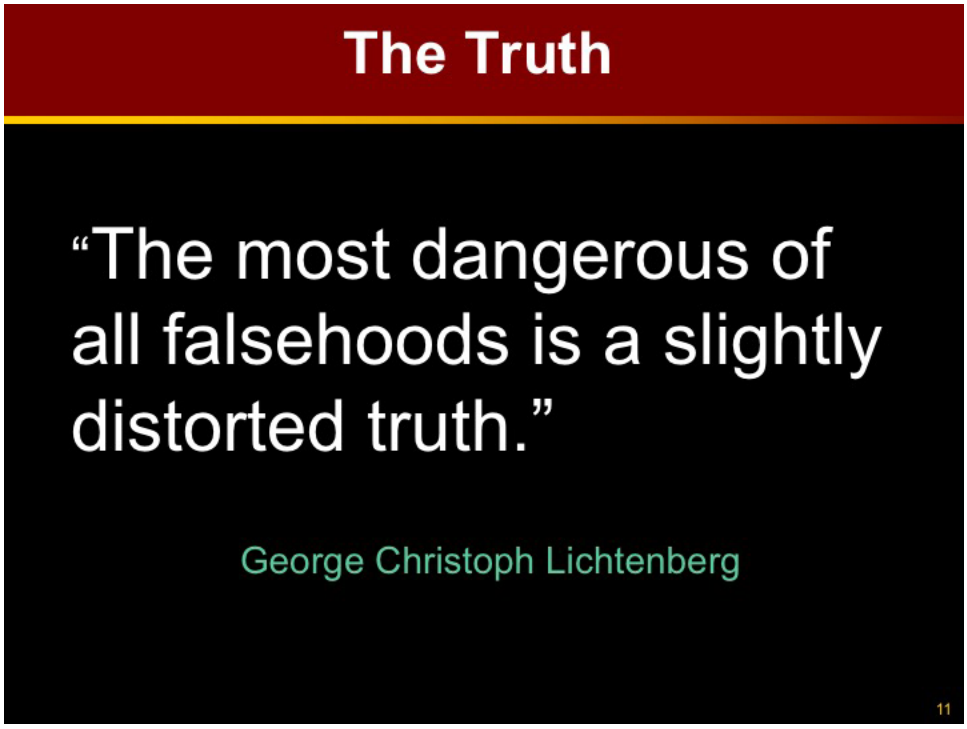
But …

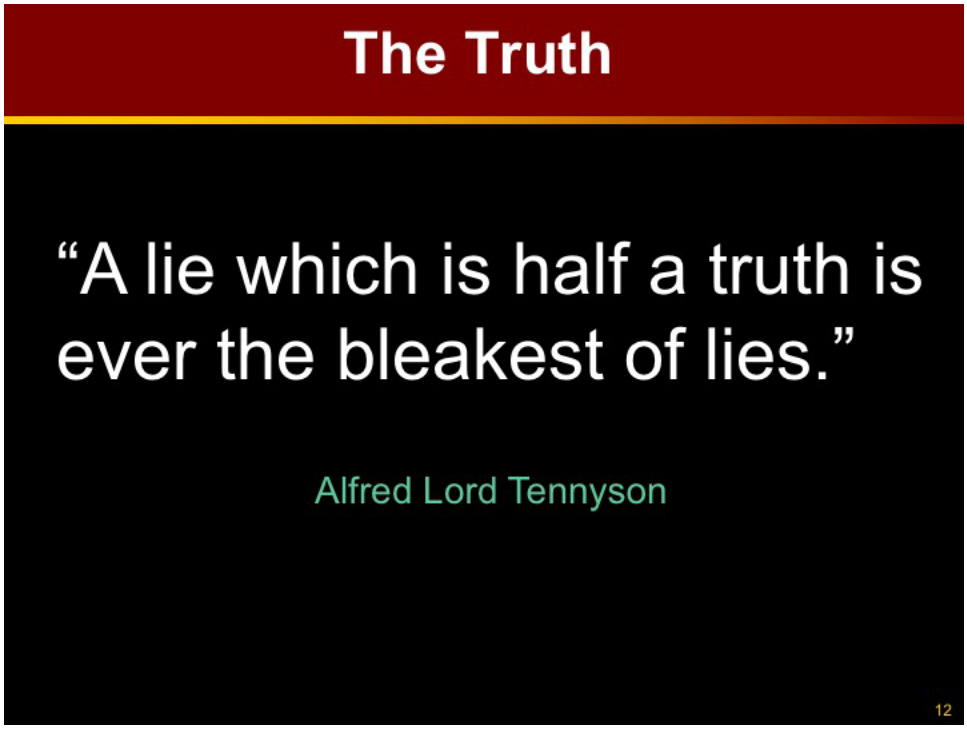
ONLY Answer Fair Questions

8

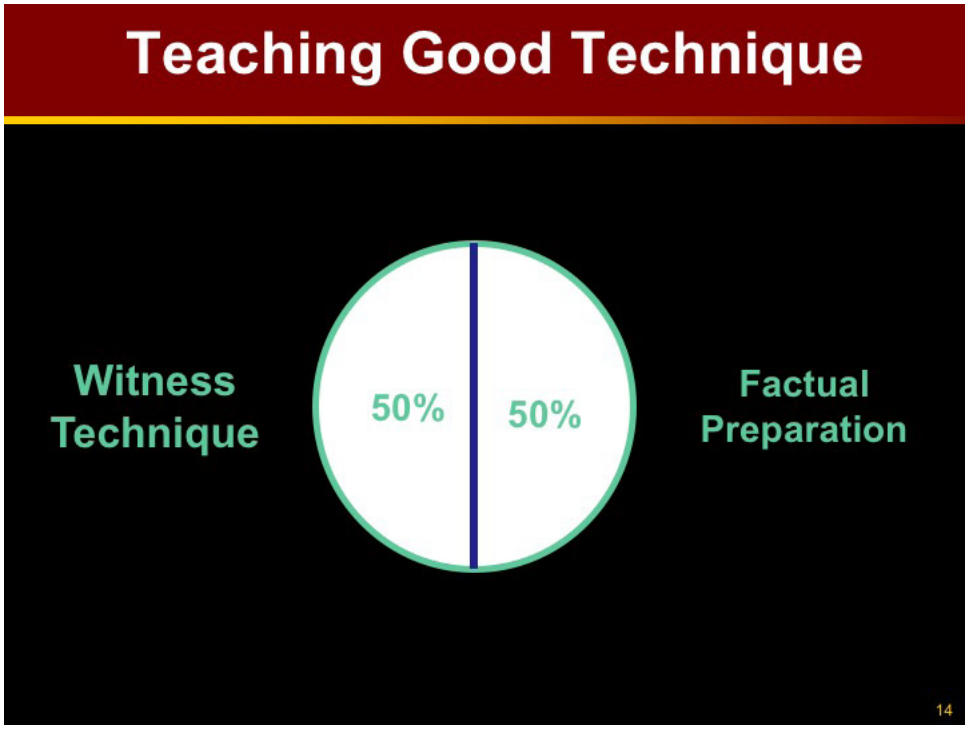

The *Traditional* Answers
"Yes"
"No"
"I do not recall"
9


The *Traditional* Answers
10


The Truth
“The most dangerous of all falsehoods is a slightly distorted truth.”
George Christoph Lichtenberg
11


The Truth
“A lie which is half a truth is ever the bleakest of lies.”
Alfred Lord Tennyson
12


LAWYER RULE # 1
Teach the witness how to spot unfair questions
13

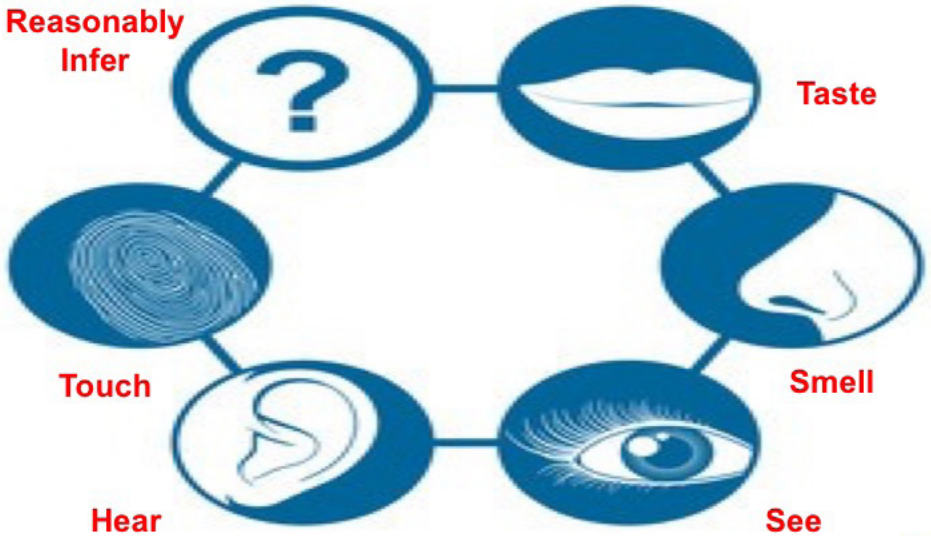

Teaching Good Technique
Witness Technique
50%
50%
Factual Preparation
14

Good Witness Techniques

- Using documents
- Asking for documents
- Breaking down questions - - *EVERY WORD*
- Using the clock effectively
- Never rushing answers
- Slowing the pace / tempo
- Leaving exits
- Rephrasing questions in the answer
- Destroying negative inferences

15

Personal Knowledge



16

Unfair Questions

- Barbed questions
- No Win questions
- Confusing questions
- Hypothetical questions
- Negative Inference questions
- Dramatic questions

17

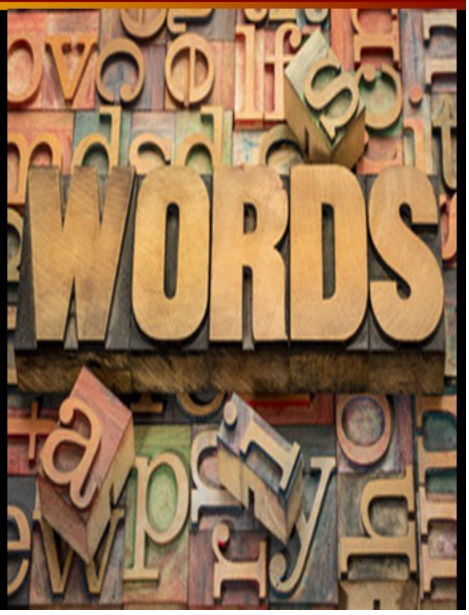
Barbed, Hostile Questions

- Has your company made product design changes to stop killing people?
- Has your company kept good records of the people dying in your clinical trials?
- How many times did you change the books before you showed them to the Plaintiff?
- When did you issue the evidence preservation letter and stop destroying documents?

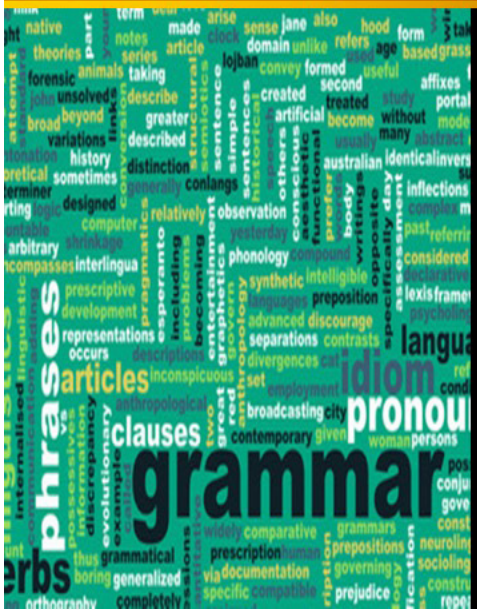
18

Spot Harmful Words

Duty	Foreseeable
Responsibility	Break
Obligation	Intend
Fail	Lied
Kill	Represented
Harm	False
Injure / Injury	Promise
Death	Cause
Trust	Disregard
Breach	Reckless



Breaking Down Questions



Harmful verbs

Exaggerated adjectives

Charged adverbs

Prepositions

20

The Question

Only answer questions that are understood.

21

The Time Factor

NFL Football Game	Average Deposition
3 hours, 12 minutes	7 Hours
20 commercial Breaks	Minimum 6 breaks of 15 minutes = 90 minutes
100 Commercials	Lunch break of 1 hour
11 Minutes Play Action	50 % of allotted time = questions
	15 % of time = reviewing documents
	10% of time = seeking clarifications

22

Using the Clock

Never rush answers

Slow tempo / pace

Take time to review documents

Take breaks

Seek clarifications

23

LAWYER RULE # 2

Reduce fear of the unknown

Reduce anxiety

24

Reduce Anxiety

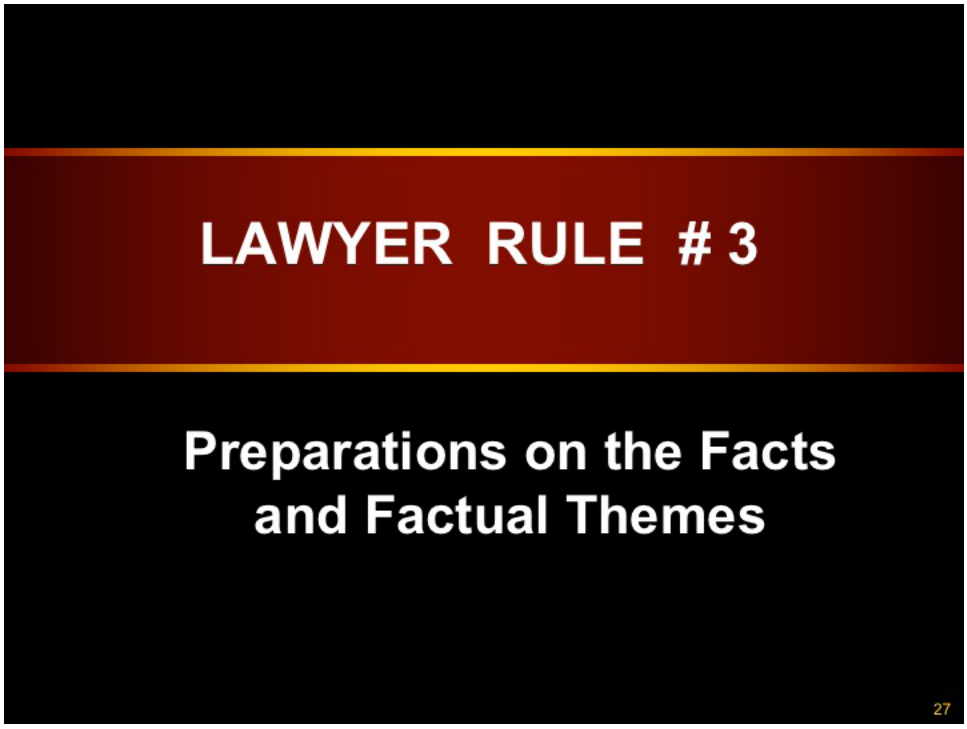
- Inspire confidence
- Provide witness a Sense of Control
- Show the witness the deposition room
- Provide "cheat sheets" or Briefing Binders
- Provide key themes
- Explain the Lawyer / Client team
- Explain Witness "Bill of Rights"
- Mock Examinations

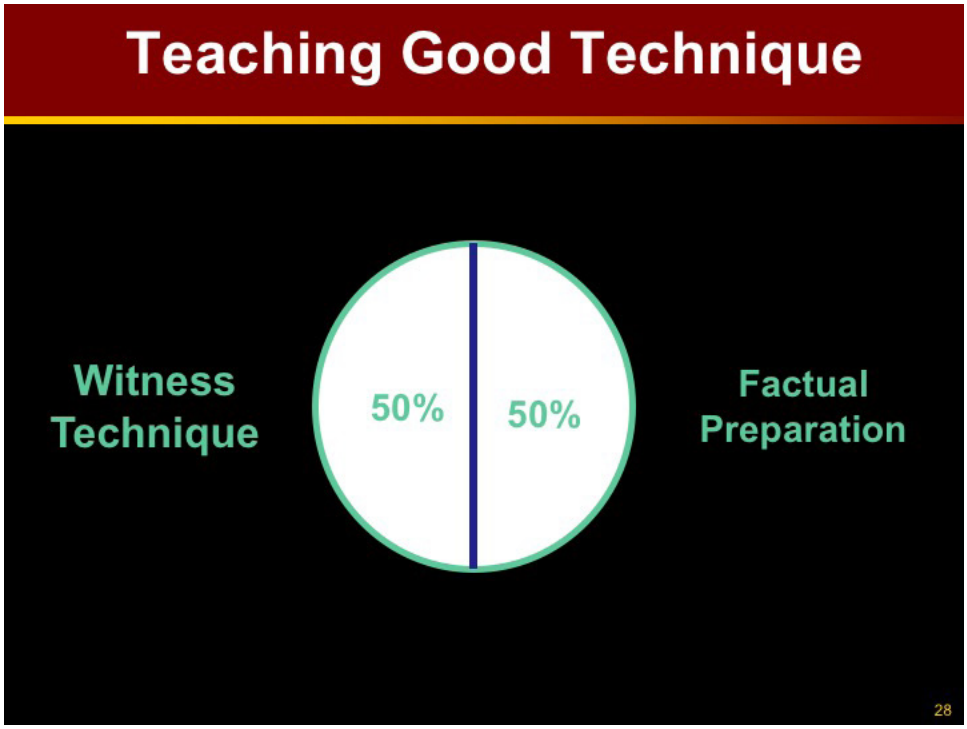
25

The Witness "Bill of Rights"

1. Entitled to be treated with respect and courtesy
2. Not a Star Chamber … not tied to the Witness Chair
3. Not required to answer questions not understood
4. Not required to answer ambiguous questions
5. Not required to answer questions without providing explanation
6. Not required to sit for extended periods without breaks
7. Not required to guess or speculate
8. Can take time to answer questions
9. Can ask for documents to refresh memory
10. Can ask for questions to be repeated
11. Can seek clarifications

26


LAWYER RULE # 3
Preparations on the Facts and Factual Themes
27


Teaching Good Technique
Witness Technique
50%
50%
Factual Preparation
28

Witness Selection – 30(b)(6)

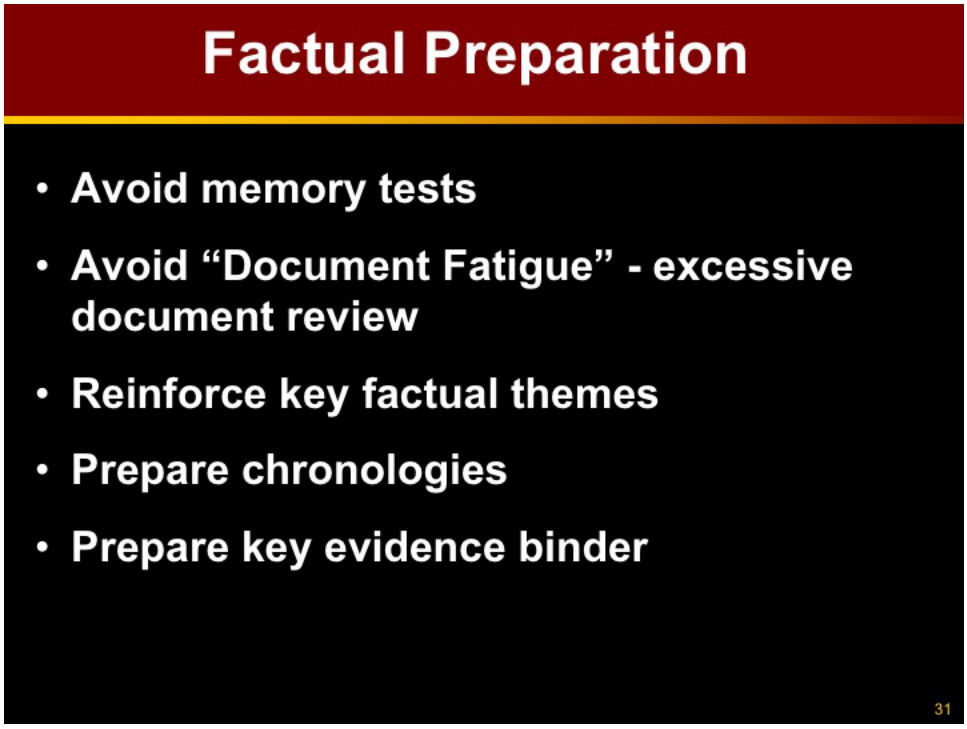
- Those who make good appearances
- Those who can invest personal time for adequate preparations
- Those who are smart, quick studies
- Those with basic familiarity with the facts

29

Witness Selection – 30(b)(6) - Caution

- Senior executives
- Witnesses from legal departments
- Witnesses with significant discretionary authority
- Witnesses deposed on numerous prior occasions

30


Factual Preparation
• Avoid memory tests
• Avoid "Document Fatigue" - excessive document review
• Reinforce key factual themes
• Prepare chronologies
• Prepare key evidence binder
31

SAWMIE A. MCENTIRE

Director and Shareholder

PARSONS MCENTIRE MCCLEARY (Dallas, TX)

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Sawnie McEntire has over 35 years of experience handling complex civil matters in federal and state courts throughout Texas and across the United States. Sawnie has tried dozens of difficult cases to jury verdict on a variety of subject matters, such as commercial, products liability, pharmaceutical, and real estate claims. Sawnie has served as national, state-wide, and regional counsel for many of his clients, has received many national and local accolades for his advocacy accomplishments, and has authored several publications on advocacy skills.

Admission to Practice

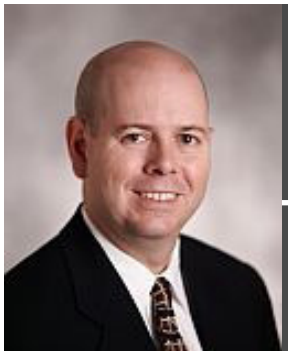
- Texas, 1980
- U.S. District Courts for the Northern, Southern, Eastern, and Western Districts of Texas
- U.S. Courts of Appeals for the Fifth and Ninth Circuits

Memberships and Affiliations

- State Bar of Texas
- Texas General Counsel Forum (Dallas Chapter) – Director
- American, Dallas, and Houston Bar Associations
- Texas and Dallas Bar Foundations
- Federation of Defense and Corporate Counsel
- Environmental Law Institute Associates Program
- Dartmouth Lawyers Association – Life Member

Education

- Southern Methodist University Dedman School of Law - Dallas, Texas; J.D., 1980
- Dartmouth College - Hanover, New Hampshire; B.A., magna cum laude, 1976



DRIVING VALUE AND EFFICIENCY WHEN MANAGING OUTSIDE LITIGATION TEAMS

Eric Probst
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Driving Value and Efficiency While Managing Outside Litigation Teams: A Dual Perspective from an Outside General Counsel
Eric L. Probst

Effective in-house counsel management of outside counsel starts and ends with collaboration—a teamwork approach to defending and resolving lawsuits. Like all relationships, the in-house and outside counsel one thrives on communication. In-house counsel must communicate expectations to their outside counterparts, their corporate reporting responsibilities, and the company's approach to and tolerance levels for litigation. They should demand that their outside attorneys provide the information they want and need, but understand that outside factors often influence the legal advice they receive, and these factors, unfortunately, are sometimes immutable. The relationship has, as one of its goals, cost efficient and reliable legal service, and the goal can be achieved if the in-house attorney sets the company's agenda for the litigation at the outset when assigning the claim.

This article shares the experience of the author who has litigated and managed a nationwide portfolio of lawsuits as an outside counsel and outside general counsel.

"Mia San Mia[1]"

Relationships are built on understanding. Outside counsel must know the client, its culture, and the business unit involved in the lawsuit. In-house counsel must direct, shape, and manage outside counsel. The inside lawyer must instruct the outside lawyer on who the client is beyond its name, the products it sells and the services it offers. To effectively represent the client, the outside counsel must understand the client and its business units at their most base level—the people. Outside lawyers represent multiple clients, and some even in the same industry, but each is different. Moreover, different business units within a company can have different cultures and approaches to litigation. An outside attorney must almost become an employee in understanding and identifying with the client in order to most effectively advocate for it in court.

1. The Client: Outside attorneys rarely spend enough—or no—time learning who the client is beyond what they must understand to defend the lawsuit. More is required because no two clients are the same. Product manufacturers, for example, are "product proud," and their pride extends from the factory floor, to the engineering unit, to the office of the general counsel. The in-house attorney must share this "corporate pride" with the trial lawyer so the lawyer can relate to company witnesses during investigations and deposition preparation, and ultimately share this feeling and convey the company's position to opposing counsel, the court and the jury. The outside lawyer cannot fully obtain the client's ethos from its website, its mission

1 Mia San Mia is a Bavarian phrase that loosely translates to "We Are Who We Are."

statement, or its code of ethics and conducts. While these documents shed light on who company is and what it stands for, only the employees can communicate to the trial attorney what it means to work for the company. The in-house lawyer can start the dialogue, but should consider introducing the outside legal team to employees who represent what it means to work for the company.

2. The Client's Culture: Every company, small and large, has a unique culture. Some small companies operate as "Mom and Pops", as do some larger companies; yet some other small companies are quiet structured. While larger companies tend to be more organized, with updated policies and procedures, some business units can be less organized, more prone to lawsuits and have "skeletons" in the closet that require extra attention. In closely-held companies, where Board members actively manage and oversee litigation decisions, the outside attorney must know the players, who the player is, and what issues most plague the majority shareholders about the company's litigation portfolio. For example, is the majority shareholder concerned about the impact of legacy litigation on the future market value of the company for the shareholder's heirs? While the outside attorney strives to provide legal counsel divorced from these potentially complicating influences, the attorney must appreciate them. Insight into such corporate subtleties can only come from the in-house counterpart.

The corporate approach to risk is arguably the most important aspect of the culture the in-house attorney must share with the trial lawyer. No two companies approach litigation the same. Tied to corporate pride, risk aversion is critical information for the outside attorney. It guides not only how the attorney approaches the litigation, deals with adversaries, mediators and judges, but is the undercurrent for corporate communications. The outside lawyer wants to know how the client's decision makers will approach the lawsuit and litigation is general. Outside lawyers are sensitive to how their recommendations are received. If the client desires early case resolution, or is generally litigation averse, the in-house must share this apprehension to allow the outside lawyer to consider the apprehension when providing legal advice.

Further, clients often litigate aggressively to send a message to plaintiff's counsel and the plaintiffs' bar. Because the message to the plaintiff is communicated at the outset, and sometimes before the complaint is answered, in-house and outside counsel design the response, with in-house counsel outlining the client's general approach, before the complaint is answered. "Sending a message" through litigation is most apparent in discovery—answering written discovery, corporate witness depositions, and discovery disputes—and ultimately influences the client's trial decision. The collaboration takes on added importance when the client defends a portfolio of similar or related litigation. If business unit leaders are driving the message, the outside legal team should meet them to appreciate how the company will fight the lawsuit.

3. The Client's Product or Service: Before serving as the outside general counsel for a national construction company, I served as its outside counsel in New Jersey, handling construction defect, breach of contract, product liability, and consumer fraud disputes for over 15 years. Defending these matters involved working with operations personnel as much as the legal department. Over time, as a young associate, I learned how it constructed the home improvement it sold, to the point where I could have served on one of its crews. When I assumed the outside general counsel role, it surprised me that none of the outside attorneys took the time to understand the client's business, construction practices and methods, and sales strategies, unless prompted. Legal department personnel should connect outside attorneys to operations personnel so outside lawyers can "talk the talk and walk the walk;" outside lawyers should also undertake their own study. If they do not, or if their course of study is not rigorous to the company's standards, the in-house attorney should not be shy about addressing the learning curve—and, if it cannot be corrected, finding new counsel. Educating outside counsel applies no matter if the client manufactures automobiles or medical devices, operates a trucking company, designs and sells computer software, or runs a restaurant in Manhattan.

"So tell me what you want, what you really really want…."[2]

Outside law firms serve in-house legal departments. Like all service providers, the counsel provided is only good if the lawyers know and understand what the in-house lawyers need, want and expect. Sometimes general counsel wants an answer to a specific question. To get that answer, the in-house attorney must frame the question with specificity, so the outside attorneys know which question to answer and why. Appreciating the "why" allows the outside litigator to grasp the pressure points affecting the client's request, and how the answer might fit into the corporation's global approach to litigation. Effort—and money—are wasted on both sides of the relationship when the in-house lawyer does not explain in concrete detail "the ask," and the outside lawyer does not answer the questions.

These expectations include deadlines. Too often "Wednesday" turns into "Friday" or "early next week." If the inside attorneys sets a deadline goal, ensure the outside attorney meets it. If they do not, discuss the reasons why to ensure it will not happen again.

However, the outside lawyer is equally responsible for avoiding communication breakdowns. Whether receiving a new case or discrete research assignment, or managing a portfolio of matters in a mass tort litigation, the lawyer must ask the inside counterpart: "what do you need?" The more effective outside attorneys I worked with as outside general counsel asked this question and then delivered a response tailored to that request. Outside counsel sometimes do not appreciate that their deliverable might be turned into a Board report or submission to an insurance carrier for coverage. In-house attorneys can promote the effectiveness of the deliverable by defining, up front, for the outside lawyer what written product they need.

With in-house budgets tight, cost saving measures are at the forefront of every assignment. Outside counsel can better assist attempts to manage legal spend when inside legal department personnel communicate the form of the deliverable they need. Are brief e-mail summaries sufficient compared to full blown reports? Does the client want to pursue limited, strategically-targeted discovery instead of traditional, overbroad discovery requests that often result in little to any relevant information. What role will in-house attorneys play defending the case? Billing guidelines do not cover these more subtle issues so the in-house attorney should set the parameters of the representation from Day One.

"Who are you?"[3]

The famous lyrics, screamed by Roger Daltry, lead singer for The Who, are illustrative for the in-house and outside attorneys trying to establish a solid working relationship between themselves. Not only should the outside lawyer ask "Who Are You," the follow up question, as contained in the song—"Because I really want to know"[4] also should be asked. But the in-house attorney needs to break the ice—and engage the outside attorney personally—to promote an effective working relationship. From beginning to end, the inside lawyer and outside lawyer are in a relationship. They have to know who each other is to make it work.

Until I served as outside general counsel, I did not fully appreciate the many roles general counsel play. Their job responsibilities extend beyond litigation management, and often include budgeting, operations, compliance, safety, risk management, insurance, licensing, contract review, and Board reporting. Of course, the size and business type of the company influence the in-house lawyer's day-to-day obligations. When the outside legal team—partners, associates and paralegals—understand the hats the in-house counsel wears, and when they wear the hats, they can better provide legal advice and service to the client.

An important aspect of the in-house and outside counsel relationship is understanding the dynamics of the in-house attorneys' relationship with the company's business units and the Board. Though certain information cannot be shared with outside legal personnel, the more information the outside lawyer has access to, especially pressure points related to litigation, the more effective the attorney's legal counsel will be. Discovery, settlement, and trial decisions cannot be made in a vacuum because these corporate background issues play a significant

2 Lyrics from Wannabe, Spice Girls (Virgin – EMI Records, 1996).

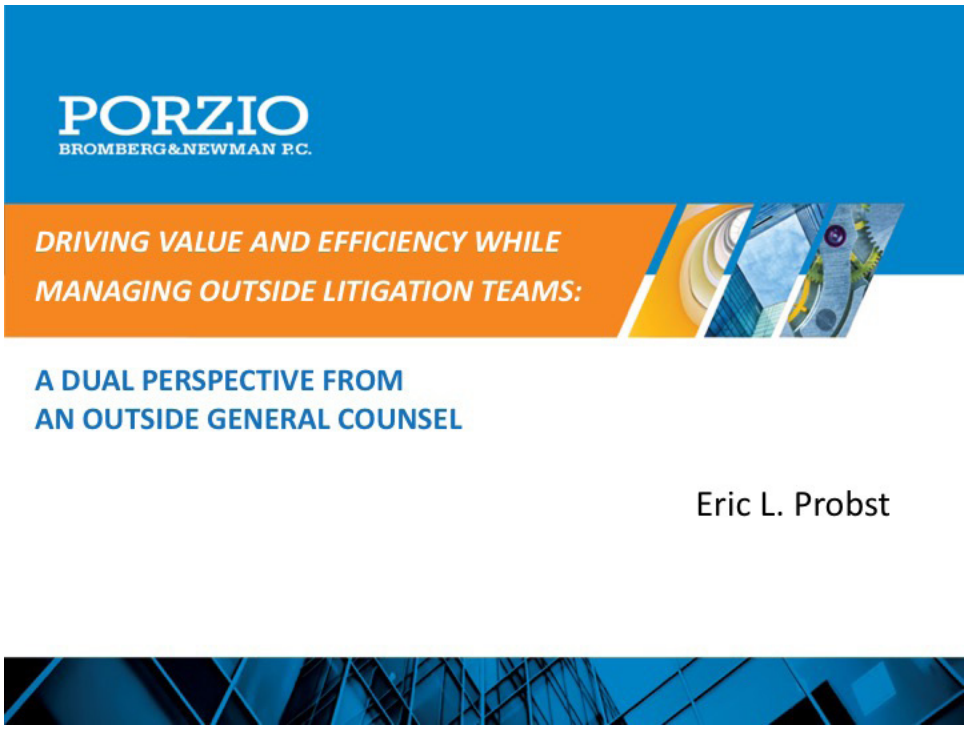
3 "Who Are You" off of the album Who Are You, The Who (Polydor Records, 1978).

4 Id.

role in shaping decision making.

Conclusion

Building a solid relationship between in-house and outside attorneys—becoming partners in defending the lawsuit—is key to managing litigation, whether the claim involves a defective product, a commercial motor carrier crash, or business-to-business contract dispute. Trust is the core of the relationship, which has to be earned on both sides. Varied factors impact the management of the lawsuit—the industry involved, the availability of insurance coverage, and the potential ramifications of an adverse result—requiring in-house and outside counsel to collaborate and flexibly approach and evaluate the case's strengths and weaknesses to achieve the client's litigation goals.



Perspective.....

2

Perspective.....

3

Collaboration

4

Mia San Mia—``We Are Who We Are"

Culture

Client

Product/Service

Mia san mia

5

"So Tell Me 'Whatcha' Want…."

When

What

Why

6

"Who Are You?"

Responsibilities

Roles

Reporting

7

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Understanding the business impact of litigation is critical when a company is contemplating filing or defending a lawsuit. Eric Probst examines the ramifications, the process, and the range of possible outcomes before counseling clients on whether to file a complaint or a responsive pleading, or to engage in pre-suit settlement discussions. With a constant eye towards his clients' bottom line, Eric leverages his varied litigation experience, which includes handling multi-million dollar, complex commercial litigation matters; the defense of design professionals, owners, builders, general contractors, subcontractors, and suppliers in commercial, industrial, and residential construction defect, breach of contract, and consumer fraud disputes; commercial transportation companies in catastrophic personal injury cases; and manufacturing defendants in mass tort and one-off product liability personal injury and class action matters. His approach to litigation is not a "one size fits all," but rather a client-specific approach based on the client's pressure points. When a case is venued in New Jersey, Eric is often selected as local counsel due to his solid grasp of the nuances of New Jersey law and federal and state court procedures. He is co-chair of the firm's Litigation Practice Group.

Practice

- Business Disputes and Counseling
- Class Actions
- Corporate, Commercial and Business Law
- Litigation
- Product Liability
- Toxic and Environmental Tort
- Transportation and Motor Carrier

Industries

- Chemical
- Manufacturing
- Professional Services
- Real Estate and Construction
- Transportation

Honors and Awards

- "AV" rated by Martindale-Hubbell
- Recognized on the New Jersey Super Lawyers "Rising Stars" List, 2009
- Recognized on the New Jersey Super Lawyers List, Business Litigation, 2012 - 2018
- Recognized in Best Lawyers in America, Mass Tort Litigation/Class Actions - Defendants, 2017, 2018

Education

- Seton Hall University School of Law, Newark, New Jersey, J.D., cum laude, 1994 - Moot Court Board, Member; Juvenile Justice Clinic, Director
- College of the Holy Cross, Worcester, Massachusetts, B.A., 1991 - Honors History Program; Senior Thesis: "The Development of and Reaction to the Union Program to Enlist Negroes into Union Armies," April 1991; Dean's List, 1990–1991; Big Brother/Little Brother Program

FIGHTING GHOSTS: DEFENDING AGAINST ANONYMOUS ONLINE SHORT ATTACKS

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Fighting Ghosts: Defending Against Anonymous Online Short Attacks
Todd Williams

Introduction

In the past decade, instances of online short attacks on publicly traded companies have become increasingly common. In contrast to the traditional short seller activism led by hedge funds and well known investors, these short attacks have been led by anonymous individuals or entities who leverage the platforms of social media and online investing forums to post false or exaggerated negative research reports and other articles about target companies and their executives. In certain market conditions, such as when there is uncertainty about a company's valuation, the resulting publicity can have immediate and lasting negative effects on a company's share price. Responding to these attacks can be challenging. Identifying the source of the short attacks may be difficult and effectively countering misinformation requires careful consideration and coordination. Companies that have response strategies in place will be better positioned to address short attacks if they occur. This article examines recent examples of anonymous short attacks and some strategies for combatting offending posts.

What is Anonymous Short Activism?

Short sellers seek to take advantage of a decline in the share price of a particular company. As compared with classic short activism, led by investors such as Bill Ackman, recent years have seen a rise in short activism led by individuals who anonymously post negative research articles and reports online. These posts frequently occur on popular online research platforms and bulletin boards. Short sellers are not currently required to disclose short positions, which can make assessing the motivation behind negative posts challenging.

Where the market once disregarded anonymous postings, recent examples demonstrate the effect that anonymous individuals or entities can have on stock prices. Short attacks are most effective when events create uncertainty in a company's valuation. Examples of such events, which can leave a company vulnerable to short attacks, include the introduction and valuation of new products, the suspicion or disclosure of a government investigation, or a complicated financial outlook.

Recent Examples of Anonymous Short Activism

In one recent attack, Akoustis Technologies, a U.S.-based electronics company, was the subject of two reports by an anonymous poster claiming that the company was a pump-and-dump scheme, that that company's core intellectual property was worthless, and purporting to report securities violations to the Securities and Exchange Commission.[1] Following

1 See, e.g., Mako Research, Akoustis: Strong Sell On Product Obsolescence, Paid Stock Promoters, And Ex-Gottbetter Team Involvement, 96% Downside, Seeking Alpha (Aug. 9, 2017), available at: https://seekingalpha.com/article/4096904-

the reports, despite attempts by the company to respond, Akoustis shares traded down sharply and have continued to trade at a significantly reduced price since the reports first came out in 2017.

In 2015, an activist called Alpha Exposure started publishing reports about Indian-based filmmaking company and distributor Eros International PLC.[2] Alpha Exposure alleged accounting fraud and questionable transactions and predicted a plunge in the company's share price. Despite repeated denials by the company the allegations by Alpha Exposure gained momentum on bulletin boards and other anonymous short sellers began making similar allegations. Over the course of the next two years, the stock price dropped by approximately 50 percent.

In 2015, an entity calling itself Investor for Truth published a report alleging that a Texas-based real estate investment trust, United Development Funding, was based on a Ponzi scheme.[3] Shares in the company began trading down precipitously following the report before the author of the report, a hedge fund manager, claimed responsibility and admitted that he had a short position in the company.[4]

These cases demonstrate the real effects that anonymous short activists can have on the market.

Responding to Anonymous Short Attacks

Anonymous online short attacks present unique challenges to companies that are targeted. Not only can it be difficult to determine the identity of the anonymous author or authors but there are risks involved in responding aggressively to counter a misinformation campaign. It pays dividends to have a response plan in place to deal with short attacks strategically and effectively. The following considerations should be part of any plan to deal with short activists.

1. Monitor Online Financial Research Platforms

First, companies are advised to keep an eye on financial blogs and other positing sites, such as Seeking Alpha or Street Sweeper, where reports are often published. Recently, activists have also taken to posting on sites such as Scribd.com and driving traffic to posted reports through links on other sites. StockTwits.com is another often-used site where comments and links are posted by short activists. Being able to respond quickly to short attacks can help mitigate the potential negative effects and can enable the collection of evidence before it is destroyed.

2. Build Trust With Key Investors

Second, establish trusted relationships and open lines of communication with key investors. Engaging with and keeping investors regularly informed will allow the company to more effectively combat misinformation if it arises. Being responsive to investor concerns may engender support for management communications when and if the company faces a short attack.

3. Consider Whether and How to Publicly Respond

Third, companies should carefully strategize whether to publicly respond to the attacks, and if so, the most effective channels for doing so. Responding to anonymous posts or reports risks elevating the issue by giving credence to the attacks that may not be warranted. A prudent response may be no response at all.

If your company decides to respond with a statement, consider carefully the substance of the response and how the response will be communicated given applicable disclosure and securities laws. The presence or absence of information can become fodder for additional anonymous attacks, as well as the subject of later government investigations, should one arise. Likewise, the decision to report the attack to government agencies should be made with care. The reporting of information may prompt an investigation into the veracity of the activist's allegations, including an inquiry into the company that made the report. Responding to such inquiries can require significant resources and can lead to unwanted scrutiny.

akoustis-strong-sell-product-obsolescence-paid-stock-promoters-ex-gottbetter-team-involvement.

2 Alpha Exposure, "Unlike The Name, Investors Should Not Love EROS", October 30, 2015, Seeking Alpha available at https://seekingalpha.com/article/3621886-unlike-name-investors-love-eros

3 Julia LaRoche, An Anonymous short-seller called a company a 'Ponzi-like real-estate scheme' and the stock has crashed 65%, Business Insider (Dec. 11, 2015), available at: http://www.businessinsider.com/short-seller-report-on-united-development-funding-reit-2015-12.

4 LaRoche, Kyle Bass is going to war with his latest short target, Business Insider (Feb. 5, 2016), available at: http://www.businessinsider.com/kyle-bass-goes-after-united-development-funding-2016-2.

Some companies have addressed anonymous allegations by appointing an independent law firm to investigate the attacker's allegations. The results of an internal investigation by an independent auditor can provide investors with additional confidence regarding the falsity of allegations posted online.

4. Carefully Consider Steps to Identify the Poster

Fourth, consider available methods to identify the individual(s) associated with the short attacks.

One option is to engage a forensic analyst firm to attempt to determine the identity of the poster through publicly available information. Depending on the sophistication of the individual, there may be electronic footprints, such as IP addresses, that can be used to trace a computer to a physical address.

Another avenue is by reviewing FOIA requests submitted to government agencies about the company. This can generate a short list of individuals who may be focused on the company and seeking information about possible government investigations.

Finally, consider issuing subpoenas for information regarding user identities to internet service providers and content hosts associated with the anonymous posts. This requires the initiation of litigation, which itself carries risks. The filing of a public complaint may raise the profile of the issue and attract more attention than if the issue were not addressed in the courts. The filing of a public complaint and litigation documents must be done with care so as not to inadvertently raise issues or make statements that can later be used against the company in any potential government investigation. In certain instances, federal and state agencies have initiated investigations related to the issuer following the filing of such lawsuits.[5]

Litigating claims against anonymous short activists has met with mixed results for multiple reasons. If challenged by the anonymous poster, courts are often hesitant to order the unmasking of individuals whose posts implicate First Amendment rights. In the case of Aurelius v. BofI Federal Bank, Case No. 2:16-MC-0071 (C.D. Cal. 2016), for example, the court granted a motion to quash a subpoena to an internet service provider seeking identifying information regarding an anonymous poster. The court found that the poster's right to anonymity under the First Amendment outweighed the company's interest in determining the poster's identity. When the anonymous poster is identified, issuers still face the hurdle of proving the elements of their claims, whether they be defamation, conspiracy, fraud, market manipulation, or otherwise. Although a few issuers have achieved modest settlements,[6] many courts view such defamation claims skeptically and have dismissed suits finding that the statements are constitutionally protected statements of opinion.[7] Without evidence suggesting an intentional scheme to manipulate the market and profit, issuers may face challenges when faced with a motivated opponent who has been identified. Nonetheless, in some situations the ultimate outcome of the litigation may be secondary to determining the identity of the posting individual.

Even if the poster is not identified, the litigation and discovery process may be useful in developing information that can be used to help demonstrate the falsity of the anonymous allegations to the public. For example, the discovery process may reveal that the anonymous poster has communicated with other individuals who are known to be associated with online short attacks or that the anonymous poster has taken a short position that allows them to profit if their online statements cause the company's stock price to fall. The litigation process may also have value for the message it sends to investors and would-be anonymous short activists.

Ultimately, each company must assess whether the benefits of initiating litigation to potentially identify and seek recovery from the responsible individuals outweigh the downside risks of increased exposure to the negative comments and government investigations.

Conclusion

The rise of online short activism means that companies are increasingly confronting the

5 As one example, in 2006, Biovail Corporation sued a number of hedge funds alleging that the defendants had "launched a devastating attack" on the company in the press after taking short position. Two years later, Biovail and its executives were named in a complaint by the SEC alleging fraudulent accounting schemes and misstatements. SEC v. Biovail Corp., No. 1:08-cv-02979-LAK (S.D.N.Y. Mar. 24 2008).

6 SeeI, e.g.,"Overstock Says it Settled With Hedge Fund", Reuters.com (December 8, 2009) available at: https://www.reuters.com/article/overstock-suit-idCNN0821943720091208

7 See Silvercorp Metals Inc. v. Anthion Mgmt, LLC, (No 150374/2011, 2012 WL 3569952 at 12 (N.Y. Sup. Ct. Aug 16, 2012).

challenges associated with defending against anonymous short attacks. In addition to the strategies outlined above, some companies have explored information sharing and the forming of alliances to promote crisis management collaboration and in some cases even offering equity investments in the face of short attacks. Regardless of the response strategy, companies are well advised to have a plan in place to address online short attacks quickly and effectively.

Fighting Ghosts: Defending Against Anonymous Online Short Attacks

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CORR CRONIN | LLP

The Rise of Anonymous Short Attacks

- Past years have seen an increase in the number and effectiveness of anonymous short attacks
- Trend is likely to continue given success in driving down stock price
- Anonymous attacks present unique challenges for targets of the attacks

"It feels like we're shadowboxing... We're fighting a ghost"

- CFO, Eros International

Examples of Anonymous Short Attacks

- Eros International PLC
- Indian-based filmmaking company
- In 2015 a short activist called Alpha Exposure posted multiple reports online
- Alleged accounting fraud and questionable related-party transactions at Eros
- Published on Seeking Alpha and Twitter
- Over the next two years, share price dropped by approximately 50% as allegations were picked up by other anonymous short sellers

Examples of Anonymous Short Attacks

- Akoustis Technologies
- U.S. based electronics company
- Subject of multiple reports in 2017 by an anonymous short seller called Mako Research.
- Published on Street Sweeper and Seeking Alpha
- Alleged pump-and-dump scheme and that the company's IP was worthless
- Traded down 5% in the hour after the report and is has fallen about 40% since first reports in April 2017

Online Platforms Commonly Used

- Twitter
- Scribd
- StockTwits
- Seeking Alpha
- Street Sweeper

- Most effective when there is uncertainty in company value, such as when:
  - New product being valued
  - Suspected government investigation
  - Complicated financial outlook

Anonymous Attacks Present Unique Challenges

- Responding companies bear a high burden of proof
  - It is difficult to prove a negative
- Attacks occur without advance notice
  - Part of strategy is to catch the company off guard
- Mere existence of short selling campaigns may prompt follow-on government inquiries
  - Diversion of resources and management distraction
- Litigation has met with mixed results
  - If challenged, courts respect First Amendment right to anonymity

Strategies for Responding

- Prepare in advance and be proactive
  - Monitor online financial research platforms
  - Build trust and alliances with key investors
  - Establish relationships with communications professionals and forensic analysts

Strategies for Responding

- Consider <u>whether</u> to publicly respond

1. **No public response**
   - Denies the credence of a response and limits additional exposure
   - Warranted if company is confident in valuation or attacker lacks credibility
2. **Limited rebuttal response**
   - Address the merits of the attack or the credibility of the attacker
3. **Full engagement including litigation**
   - Point-by-point response and filing of a lawsuit

Strategies for Responding

- Consider <u>how</u> to publicly respond

1. **What is the Right Channel?**
   - Press release
   - Earnings call
   - Publicize internal investigation results
   - Initiating litigation

2. **Convey the Right Message**
   - Concise and deliberate
   - Regain control of the dialog

Strategies for Responding

- Consider steps to identify the attacker and stop the behavior

1. **Engage forensic analyst**
2. **Review FOIA requests to government agencies**
3. **Request takedowns when appropriate**
4. **Utilize discovery process**

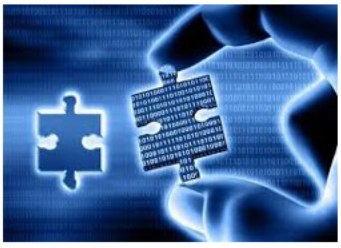
Be careful when engaging with other short sellers

Litigation Has Met With Mixed Results

- TROs are often a short-term solution
- Courts respect First Amendment right to anonymity
  - Unmasking requires a compelling need and a connection between the anonymous poster and unlawful conduct
- Even if you identify attacker, proving elements can be challenging
- Litigation remains useful for identifying the attacker and developing information to publicly discredit claims

The Value of Litigation

- Sends a message to investors and would-be activists
- Third-party discovery can reveal:
  - Email addresses
  - IP address history
  - Direct messages among users
  - Deleted messages
  - Metadata associated with emails
  - Associates and potential co-defendants



The Risk of Litigation

- Draws additional attention to allegations
- Costly and time-intensive
- Exposure of sensitive company information in discovery
- Can prompt regulatory investigations

Conclusions

- An ounce of prevention…
- In certain situations, silence may be the best response
- Consider non-litigation options for identifying the attackers
- Be mindful of the collateral consequences of litigation

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Todd's practice focuses on litigation and counseling involving a wide variety of matters in state and federal trial and appellate courts, and in arbitration and mediation forums. His cases have encompassed the following areas: trade secrets, securities litigation, trademark infringement, regulatory compliance, employment litigation, product liability, fraud and business contract disputes. Todd also represents individuals and companies involved in government investigations and enforcement actions and advises clients on U.S. export controls. Todd was named a "Rising Star" by Super Lawyers Magazine for 2016, 2017, and 2018.

Prior to joining Corr Cronin, Todd was an associate at Paul Hastings LLP in New York where his practice focused on government investigations, securities litigation, and internal corporate investigations, including compliance with the Foreign Corrupt Practices Act. Prior to entering private practice, Todd served as International Law Research Fellow for the Public International Law and Policy Group where he provided legal and policy advice to foreign government officials on matters including anti-corruption policies and political decentralization. He also worked as an investigator for the New York City Civilian Complaint Review Board where he investigated allegations of misconduct against the NYPD.

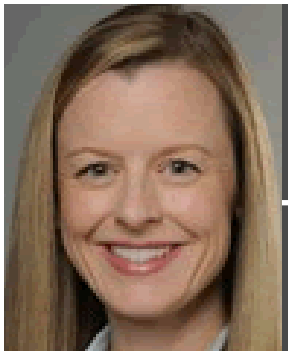
Todd is a former lecturer at the University of Washington Jackson School of International Studies where he taught a masters-level course on the Foreign Corrupt Practices Act and strategies for combatting corruption in the public and private arenas. Todd is licensed to practice in Washington and Idaho.

Featured Cases

- Project Thunder v. TNS (King County Superior Court). Represented telecommunications company against multi-million-dollar claims of breach of contract and wrongful termination stemming from an acquisition; obtained favorable settlement at trial.
- McKibben v. Colacurcio Jr. et. al. (King County Superior Court). Represented former business owner against claims of breach of contract and breach of fiduciary duty. Obtained a complete defense verdict after a two week trial.
- Municipality of Anchorage v. ICRC et al. (U.S. District Court, District of Alaska). Represented engineering firm against claims of professional negligence.
- Somerset v. Wall to Wall (U.S. District Court, Western District of Washington). Represented corporate executives against allegations of securities fraud; obtained favorable settlement after trial.

Education

- J.D., with Honors, University of Washington School of Law, 2010
- M.A. International Studies, Jackson School of International Studies, University of Washington, 2010
- B.A., Government and Legal Studies, Bowdoin College, 2004



DIGGING THROUGH DAUBERT: FROM BASIC CONSIDERATIONS TO COMPLEX ISSUES

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Digging Through Daubert: From Basic Considerations to Complex Issues
Ashley Webber Broach

Introduction: Back to Basics

In products liability cases, experts are ubiquitous. Because of the role experts play in products liability litigation, it is incumbent on any lawyer practicing in this area to have an understanding of the basic framework of the law governing the admissibility of expert opinions, starting with the basics.

The United States Supreme Court's seminal decision in Daubert v. Merrell Dow Pharmaceuticals, Inc.[1] articulated the standard for admissibility of scientific opinion evidence to ensure that scientific opinions proffered by experts were rooted in reliable methodology. Daubert has been described as "bulwark against junk science in the courtroom, causing many to think the Supreme Court must have been attempting to stamp out a permissive regime that allowed junk science to poison too many jury verdicts.[2]"

In Daubert, the Supreme Court replaced the common law "Frye" test, which by 1993, when Daubert was decided, was 70 years old, with Fed. R. Ev. 702. The "Frye," test, which takes its name from the opinion of the same name, Frye v. United States[3] made expert testimony admissible if it was based on principals that were generally accepted by the scientific community.[4] With the Frey standard being discarded as "austere" and "rigid" and incompatible with the liberal, more relaxed approach of the Federal Rules of Evidence, Daubert now requires that trial judges determine whether proposed expert testimony is relevant and reliable.[5]

Not all states, however, have adopted Daubert. Amongst those states are California, Florida, Illinois, Minnesota, North Dakota, South Carolina, Utah, and Washington.[6]

In 2000, Fed. R. Ev. 702 was amended to incorporate portions of Daubert and provides the framework for analyzing the admissibility of expert testimony and states, in pertinent part:

> If scientific, technical, or other specialized knowledge will assist the trier of fact…a witness qualified as an expert by knowledge, skill experience, training, or education, may testify thereto in the form of an opinion or otherwise, if (1) the testimony is based on sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the methods reliability to the facts of the case.

1 509 U.S. 579 (1993).

2 Kenneth R. Berman, Daubert Turning 20: Junk Science Replaced By Junk Rulings?, ABA Section of Litigation Annual Conference, April 18-20, 2012.

3 239 F. 1013 (D.D.C 1923).

4 Id. at 1014.

5 Daubert at 589.

6 Christine Funk, Daubert Versus Frye: A National Look at Expert Evidentiary Standards, The Expert Institute, March 13, 2018.

The factors identified in Rule 702 have been interpreted to require proof of the following: (1) the expert is qualified to testify regarding matters he intends to address; (2) the methodology by which the expert reaches his conclusions is sufficiently reliable as determined by the sort of inquiry mandated in Daubert; and, (3) the testimony will assist the trier of fact, through the application of scientific, or specialized expertise, to understand the evidence or to determine a fact in issue.[7]

Science is not Absolute, Neither is Daubert

Over the years, the various courts' applications of Daubert have been wide ranging and are still evolving today. Other lawyers[8] have noted that recent published opinions from Federal Appellate Courts target, and then toss, arguments in favor of expert exclusion on the basis that the expert's methods were imperfect and that Daubert requires scientific perfection. Courts have held that scientific theories, by their very definition, are not absolute truths—they are theories that are elastic and subject to change. As such, a defense based on methodology not strictly conforming to the hypotheses will not likely prevail.

In Adams v. Toyota Motor Corp.,[9] for example, the Eighth Circuit rejected the arguments put forth by the defense that the plaintiff's expert's methodology was faulty and did not support his hypothesis. In doing so, the Eighth Circuit affirmed the decision of the lower court and held that if the expert's testing was faulty, defense could cross-exam the expert on these issues. As the Court held, "vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are traditional and appropriate means of attacking shaky but admissible evidence."[10] Defendants in that case also took issue with the expert's causation testimony, arguing that he relied on insufficient evidence to support his causation theory; nonetheless, the Eleventh Circuit pointed to the expert's testimony where he explained his conclusions. The Court of Appeals concluded the expert's opinions represented more than "vague theorizing based on general principles," nor found them to be "unsupported speculation." Daubert, 509 U.S. at 590.

Who is an Expert?

With the overabundance of commercial sources advertising experts, distinguishing between an expert who is qualified and one who is not is an often daunting task. An expert has been defined as "one who knows more and more about less and less[11]." Under Rule 702, an expert is a witness is qualified as an expert when he has the requisite knowledge, skill, experience, training, or education. The Advisory Notes indicate that Rule 702 "is broadly phrased" and that an 'expert is viewed, not in a narrow sense, but as a person qualified by "knowledge, skill, experience, training or education.'" Experts can range from physicians, physicists, and architects, to bankers or landowners testifying to land values.

With this broad scope, the inquiry into whether an expert is qualified is fact sensitive and requires the court to conduct an investigation into the competence of proffered expert.[12] There is no checklist, and experts are not generally required to "satisfy an overly narrow test of his own qualifications.[13]" The expert's qualification need only rise to the level that he be able to "assist the trier of fact."[14] Obviously, the expert must have some knowledge on the area in which he intends to testify; however, he need not have complete knowledge.[15]

Moreover, an expert must "stay within the reasonable confines of his subject area.[16]" If an expert has strayed too far outside of the scope of his expertise, he may be disqualified.[17] At the same time, however, trial courts need not preclude an expert from testifying because his experience is not tailored to the precise product or process that is the subject matter of the dispute."[18]

7 City of Tuscaloosa v. Harcross Chems., Inc., 158 F.3d 548, 562 (11th Cir. 1998).

8 Max Kennerly, Daubert And Product Liability: Mid-2017 Update— Part 1, published in Law360 on July 17, 2017.

9 859 F.3d 499 (8th Cir. 2017).

10 Id. at 512.

11 Nicholas Murray Butler, Commencement Address at Columbia University, quoted in Familiar Quotations 698 (E.M. Beck ed. 1989).

12 Mannino v. International Mfg. Co., 650 F.2d 846, 850 (6th Cir. 1981).

13 Id.

14 Hilaire v. DeWalt Indus. Tool Co., 54 F. Supp. 3d 223, 235 (E.D.N.Y. 2014).

15 Id. at 235.

16 Lappe v. American Honda Motor Co., Inc., 857 F. Supp. 222, 227 (N.D. N.Y. 1994).

17 Id.

18 Yaccarino v. Motor Coach Indus., No. 03-CV-4527 (CPS), 2006 U.S. Dist. LEXIS 97208 (E.D.N.Y. Sep. 29, 2006).

A few recent opinions have given more of a "playbook" regarding expert testimony. Take for example, Chambers v. Boehringer Ingelheim Pharms., Inc.,[19] a 2018 case from the Middle District of Georgia. In Chambers, the plaintiff alleged that her deceased husband's ingestion of Pradaxa, an anticoagulant, lead to his untimely death. Defendant argued that the plaintiff's expert, Dr. Baruch, was not qualified to offer opinions regarding Pradaxa's label because he never worked for the FDA and has no regulatory expertise. Id. at 20. The trial court disagreed and recited a litany of qualifications, namely that Dr. Baruch:

- is a board-certified cardiologist;
- graduated from medical school in 1987, completed a three-year cardiology fellowship in 1993, and has been a practicing cardiologist ever since;
- is the director of the anticoagulation clinic at the VA Medical Center;
- is an attending cardiologist at Mount Sinai Medical Center, and an assistant professor at Mount Sinai Medical School;
- treats patients with anticoagulants like Pradaxa as part of his practice; and,
- was also an investigator in a trial conducted by Pradaxa and has authored peer-reviewed articles on anticoagulants.[20]

Clearly, the lack of regulatory experience did not influence the Court's opinion, even on a matter that is primarily regulatory, i.e., labeling. Dr. Baruch's other qualifications—educational background, practice, and investigations into Pradaxa—appear to have satisfied the Court that Dr. Baruch was qualified to testify.

On the other hand, in Whalen v. CSX Transp., Inc.,[21] the court explained why an expert proffered to testify about an allegedly defective office chair was not qualified. In that case, the defendant brought a third party complaint against an office chair manufacturer which allegedly caused injuries to the plaintiff. In support of its claims, the defendant offered the testimony of Dr. Ketchman, a licensed and professional mechanical engineer. While Dr. Ketchman's CV identified a variety of product and technical experience, including accident reconstruction, fall protection, exercise bicycle equipment, bowling and warning instructions, there was no indication that he had any expertise in the area of office chairs. The Court excluded his testimony and pointed to Dr. Ketchman's lack of experience related to office chairs, namely that he had never:

- designed office chairs;
- written any instructions or warnings for office chairs,
- worked for a company that manufactures or distributes office chairs,
- visited a factory of a company that makes office chairs;
- been retained by a manufacturer or distributor of office chairs in a non-litigation context;
- provided trial or deposition testimony in any of the six cases he had been retained involving office chairs;
- published any articles, treatises or books regarding office chairs; and,
- delivered any lectures or presentations concerning office chairs.

Unintentional experts

A 2016 Georgia case shows how a witness designated to testify on behalf of a corporation can find themselves to be an unwitting expert and serves as a reminder of the trial court's most basic function concerning expert testimony—to act as a gatekeeper.

In Yugueros v. Robles,[22] a medical malpractice case, the plaintiff's decedent died following extensive cosmetic surgery. The plaintiff sued the plastic surgery practice and surgeon and served the practice with

19 No. 4:15-CV-00068 (CDL), 2018 U.S. Dist. LEXIS 29155 (M.D. Ga. Jan. 2, 2018).

20 Id. at 19-20.

21 2016 U.S. Dist. LEXIS 135069 (S.D.N.Y. Sep. 29, 2016).

22 300 Ga. 58 (2016).

a notice of the corporate designee's deposition.[23] The practice designated Dr. Alexander who, in her deposition, admitted that the standard of care would have been to order a CT scan given the decedent's complaints, though one was never ordered.[24] At trial, the practice moved to exclude this testimony arguing that Dr. Alexander had not been provided all necessary information to form her opinion. That motion was granted, and the jury returned a defense verdict.

On appeal, the practice argued that Dr. Alexander was not qualified as an expert, so her opinions should be excluded. The Court of Appeals did not find this persuasive and reversed the trial court's ruling, holding that "the evidence was not offered as expert testimony under [Georgia's version of Rule 702]; it was offered as a party's admission against interest…"[25]

The Georgia Supreme Court granted certiorari to determine whether the Court of Appeals erred in holding that Dr. Alexander's deposition testimony may be admitted into evidence at trial, without regard to the rules of evidence governing admissibility of expert testimony. The Court concluded that the Court of Appeals did err, finding that even when expert testimony is presented in a non-traditional form, such as through a corporate designee's deposition, it still must meet the requirements of admissibility governed by Georgia's version of Rule 702. The Georgia Supreme Court reminded trial courts that they must act as a gatekeeper of expert testimony and that "this role is not extinguished simply because deposition testimony, including expert testimony, is secured under" rules governing depositions of corporate designees.[26]

Doing your job

Often times an expert is qualified based on education, training, and background, and yet his or her opinions are excluded because the testimony is not the product of reliable principles. In some cases, this occurs when expert fails to put a sufficient amount of work into the case. Take, for example, a recently published Eleventh Circuit case, Sorreles v. NCL (Bahamas) Ltd.[27] In Sorreles, the plaintiff alleged she fractured her wrist after falling on the deck of the defendant's cruise ship. The plaintiff offered the testimony of Dr. Zollo, who claimed that the wide range of slip resistance along the walkway of the deck where the plaintiff fell "trapped individuals into a false sense of security" such that "someone could walk across the deck without experiencing any instability, and then suddenly, step on an area of the deck where the [slip resistance] drops significantly. And so, presumably, one would feel secure until one is not secure."[28] The district court found Dr. Zollo to be qualified as an expert, and that finding was not disturbed on appeal. Despite his qualifications, however, the district court excluded Dr. Zollo's opinions because he did not perform any slip-resistance tests along the path that the plaintiff traveled to determine whether those slip resistance values varied from the portion of the deck he tested.

Similarly, in Moore v. Cottrell,[29] the plaintiff alleged he was injured while attempting to reach the ground from a car hauler he was operating. While the hauler was equipped with a ladder, the plaintiff did not use it because he alleged that it could only be used on dirt and not on an asphalt parking lot where the car hauler was parked.[30] In support of his claims, Plaintiff sought to introduce the testimony of Dr. Cohen, an individual the court found was qualified to testify as an expert in "safety issues relating to falls." However, because he failed to apply "reliable principles or methods to [the] case,"[31] the trial court excluded his opinions. This ruling was affirmed on appeal. The Court of Appeals focused on Dr. Cohen's admission of the lack of work he had done on this case. Specifically, he admitted he never inspected the subject car hauler, had never seen the car hauler, had never been on the upper deck of any vehicle transport trailer, had never inspected any fall protection designs for similar car haulers, was unaware of their components, and had never been subject to peer review.

Treatment Of Alternative Causes

Oftentimes, one ground for exclusion is the failure

23 Id. at 59.

24 Id. at 63.

25 Yugueros v. Robles, 300 Ga. 58, 65 (2016).

26 Id. at 66.

27 Sorrels v. NCL (Bahamas) Ltd., 796 F.3d 1275 (11th Cir. 2015).

28 Id. at 1285.

29 334 GA. App. 791 (2015).

30 Id. at 792.

31 Id. at 791.

of the expert to eliminate potential alternative causes. However, recent opinions seem to suggest this is not enough to get the opinion tossed, unless the expert ignores obvious alternative causes. In Wendell v. GaxoSmithKline, LLC,[32] parents of a man who developed a rare and exceedingly aggressive form of non-Hodgkin's lymphoma sued drug manufacturers, alleging that the medications that their child, Maxx Wendell, had taken caused the lymphoma. The plaintiffs' two experts were excluded by the trial court for being unreliable.[33] On appeal, the Ninth Circuit reversed. While there were a number of reasons for the reversal, the court's treatment of the experts' testimony regarding possible alternative causes of Max's lymphoma diagnosis are rather telling.

At the outset of its opinion, the Ninth Circuit made clear that a Rule 702 inquiry should be applied flexibly and liberally, favoring admission. To that end, the Wendell Court held it does "not require experts to eliminate all other possible causes of a condition for the expert's testimony to be reliable."[34] Rather, the Court held, "it is enough that the proposed cause be a substantial causative factor."[35] Based on that principle, the trial court should not have excluded expert testimony on the basis that the expert could not completely rule out the possibility that a condition (here, the rare lymphoma) was idiopathic.

Read in isolation, the Court's decision in Wendell places almost no limitations on an expert's alternative cause analysis. However, the Eighth Circuit's recent decision in Redd v. Depuy Orthopaedics,[36] made clear that certain limitations are to be observed. In Redd, the plaintiff underwent a total hip replacement in 2008. At that time, she was just over five feet tall, weighed just over 300 pounds, and took immunosuppressant drugs. These are all factors, as the trial court noted, that put the plaintiff at higher risk for failure of the hip replacement, which ultimately occurred in 2012. A subsequent hip implant broke as well.

The plaintiff brought suit against the supplier of the initial hip implant and proffered the testimony of Dr. Sastry who opined that defects in the implant caused it to break.[37] Dr. Sastry acknowledged that environmental factors could have also contributed to the failure of the hip implant but that these factors would have been secondary in nature to the defects.[38]

The defendant moved to exclude Dr. Sastry, and the district court agreed.[39] On appeal, the Eighth Circuit affirmed, holding that while it is true that an expert need not rule out all possible causes of an injury, an expert must adequately account for obvious alternative causes. In Redd, the alternative cause of the plaintiff's facture, as recognized by her own doctors, was the failure of the hip implant to grow into the plaintiff's hip bone and properly distribute her weight.[40] The Eighth Circuit went on to note that although Dr. Sastry testified that biomechanical factors could have contributed to the fracture, he never actually considered those other factors in his analysis.

Notable Recent Decisions From Around The Country

Nearly every case involving Daubert has held the trial court is the gatekeeper and must ensure that any scientific testimony proffered is relevant and reliable. This was again made clear in 2016 in Carlson v. Bioremedi Therapeutic Sys.,[41] where the Appellate Court held that the trial court abused its discretion by failing to make even the most basic Daubert inquiry and allowing a defense chiropractor to testify in a case involving allegations of a defective medical device. The Appellate Court reminded lower courts that while a Daubert hearing may not be required, some type of Daubert inquiry and fact finding is required and that a record of the same must be made.[42]

In 2017, the Seventh Circuit affirmed the trial court's exclusion of a battery expert since his theories were unsupported. In this case, Gopalratnam v. Hewlett-Packard Co.,[43] a college student purchased

32 858 F. 3d 1227 (9th Cir. 2017).

33 Id. at 1231.

34 Id. at 1237.

35 Id.

36 700 Fed. Appx 551 (8th Cir. 2017).

37 Id. at 553.

38 Id.

39 Id.

40 Id. at 554.

41 822 F.3d 194 (5th Cir. 2016).

42 Id. at 201-202.

43 877 F.3d 771 (7th Cir. 2017).

a lithium-ion battery powered HP laptop, which was alleged by his parents to have started a fire that led to their son's death. The plaintiffs proffered Dr. Doughty as an expert on battery safety who opined that an internal defect in the laptop batteries caused the fire. The basis of Dr. Doughty's opinion was that the three batteries in the laptop did not react identically to the fire in the plaintiffs' home, which was clearly supported by the evidence.[44] His underlying premise was that exposure of battery cells to external fire causes predictable, uniform results.[45] The trial court determined, however, that the record indicated that Dr. Doughty's underlying premise was not only unsupported by literature regarding fire safety, but that his premise was contrary to generally accepted battery science. The trial court pointed to three different academic articles that were contrary to Dr. Doughty's findings, all of which he cited to himself and one of which he co-authored.[46] The Seventh Circuit affirmed the trial court's decision, holding that Dr. Doughty relied on the three academic articles as sources, even though he was not bound to. Additionally, he failed to conduct his own independent testing, though he acknowledged he could have done so.[47]

In a high profile 2017 case, the Third Circuit affirmed the district court's exclusion of a plaintiffs' expert, which resulted in summary judgment. In In re:Zoloft (Sertraline Hydrochloride) Prods. Liab. Litig.,[48] over 315 claims were made against Pfizer, the manufacturer of Zoloft, a popular antidepressant. The plaintiffs alleged Zoloft caused birth defects when taken during early pregnancy and sought to introduce the testimony of Dr. Jewell, a statistician, as a general causation witness.[49] On appeal, the issue was whether the district court abused its discretion by holding that expert opinion on general causation must be supported by replicated observational studies reporting a statistically significant association between the drug and the adverse effect.[50] The Third Circuit declined the notion that statistical significance is required to prove causality.[51] Rejecting this bright-line rule, the Third Circuit held that the requisite proof necessary to establish causation is fact sensitive and varied.

With this backdrop, the Court then assessed whether it was error to exclude Dr. Jewell's testimony. Dr. Jewell used two methods to analyze whether there was a causal connection between Zoloft and birth defects.[52] While the reliability of these methods was not at issue, Defendant contested the reliability of the techniques Dr. Jewell used to implement these methods. The Court determined that the techniques were, in fact, not reliable.[53] First, Dr. Jewell did not conduct certain qualitative analyses. He also selectively emphasized observed consistencies when they were compatible with his opinions.[54] Additionally, Dr. Jewell selectively used meta-analysis on some studies but not others.[55] The Court concluded, "the fact that Dr. Jewell applied these techniques inconsistently, without explanation, to different subsets of the body of evidence raises real issues of reliability. Conclusions drawn from such unreliable application are themselves questionable."[56]

Conclusion

With an ever growing body of case law, an attorney defending a products liability claim should take care to understand the sundry of nuances involved in a Daubert challenge by knowing the law, selecting a qualified expert, and scrutinizing his opponent's expert.

44 Id. at 784.

45 Id. at at 785.

46 Id. at 786.

47 Id. at 786.

48 858 F.3d 787 (3d Cir. 2017).

49 Id. at 789.

50 Id. at 793.

51 Id.

52 Id.

53 Id. 787.

54 Id.

55 Id. 789.

56 Id.

Daubert Analysis in Product Liability Actions

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Topics

1. Introduction: Back To Basics.
2. Science Is Not Absolute, Neither Is *Daubert.*
3. Who is an Expert?

Topics

4. Unintentional Experts.
5. Doing Your Job.
6. Treatment of Alternative Causes.
7. Notable Recent Decisions.

Back To Basics

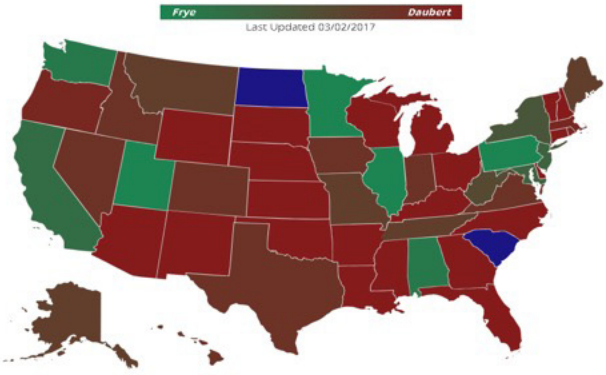
Excludes “junk science” from courtrooms.

Relevant and **Reliable.**

Matches the more liberal approach of the Federal Rules of Evidence.

Back To Basics

Has your state adopted *Daubert*? A few have <u>not.</u>



Back To Basics

1. The testimony is based on sufficient facts or data.
2. The testimony is the product of reliable principles and methods.
3. The witness has applied the methods reliably to the facts of the case.

Back to Basics

1. The expert is **qualified**;
2. The methodology is sufficiently **reliable**; and,
3. The testimony will **assist the trier of fact**.

SCIENCE IS NOT ABSOLUTE, NEITHER IS DAUBERT.

Adams v. Toyota Motor Corp. , 859 F.3d 499 (8th Cir. 2017).

Opinions need not be a "scientific absolute in order to be admissible."

WHO IS AN EXPERT?

Per the Advisory Notes, Rule 702 "is broadly phrased."

There is no checklist.

Must stay within the reasonable confines of his subject area.

WHO IS AN EXPERT?

There is no check list, but….

Chambers v. Boehringer Ingelheim Pharms., Inc., 2018 U.S. Dist. LEXIS 29155 (M.D. Ga. Jan. 2, 2018).

Whalen v. CSX Transp., Inc., 2016 U.S. Dist. LEXIS 135069 (S.D.N.Y. Sep. 29, 2016).

UNINTENTIONAL EXPERTS

Can your corporate designee become an expert?

The answer appears to be "yes."

Yugueros v. Robles, 300 Ga. 58 (2016).

DOING YOUR JOB

Your expert's qualifications may not be enough.

Sorreles v. NCL (Bahamas) Ltd., 796 F.3d 1275 (11th Cir. 2015).

Moore v. Cottrell, 334 GA. App. 791 (2015).

TREATMENT OF ALTERNATIVE CAUSES

The failure to eliminate a potential alternative cause is not enough for exclusion.

Wendell v. GaxoSmithKline, LLC, 858 F. 3d 1227 (9th Cir. 2017).

TREATMENT OF ALTERNATIVE CAUSES

The failure to eliminate a potential alternative cause is not enough for exclusion, *but* ignoring obvious alternative causes is.

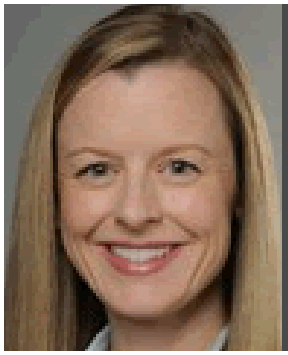
Redd v. Depuy Orthopaedics, 700 Fed. Appx 551 (8th Cir. 2017).

NOTABLE RECENT DECISIONS FROM AROUND THE COUNTRY

Carlson v. Bioremedi Therapeutic Sys., 822 F.3d 194 (5th Cir. 2016).

Gopalratnam v. Hewlett-Packard Co., 877 F.3d 771 (7th Cir. 2017).

In re: Zoloft (Sertraline Hydrochloride) Prods. Liab. Litig., 858 F.3d 787 (3d Cir. 2017).



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Ms. Broach received her B.A. in public relations, with a minor in speech communications, from the Henry Grady School of Journalism at the University of Georgia in 2000. Ms. Broach received her J.D., cum laude, from Georgia State University College of Law in 2004. While in law school, she was a member of the Moot Court Board, where she competed in the Evans Constitutional Law Competition and coached GSU ABA National Moot Court Team. She also studied abroad in Linz, Austria.

Ms. Broach is admitted to practice in all Georgia State and Superior courts, the Georgia Supreme Court and Court of Appeals, as well as the U.S. Court of Appeals for the Eleventh Circuit and the United States District Court for the Northern, Middle and Southern Districts of Georgia. She is a member of the American Bar Association, where she is actively involved in the Women in Products Liability (WIPL) subcommittee. She is also a member of the State Bar of Georgia, the Georgia Defense Lawyers Association and the Defense Research Institute (DRI). Ms. Broach has been named a Georgia Super Lawyer Rising Star by Atlanta Magazine each year since 2012, an honor reserved for only 2.5 percent of Georgia lawyers. Ms. Broach is rated AV Preeminent® by Martindale-Hubbell.

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- Environmental Law
- Insurance Coverage
- Premises Liability
- Products Liability
- Professional Liability

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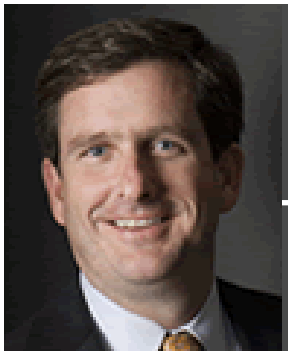

WHISTLEBLOWERS UNDER DODD-FRANK AND SARBANES-OXLEY: UNTOUCHABLE?

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Building a Case Against Dodd-Frank and Sarbanes-Oxley Plaintiffs by Showing Non-Retaliatory Rationales for Unfavorable Personnel Actions
Lee Hollis and Zach Martin

Sarbanes-Oxley and Dodd-Frank whistleblower defendants are not limited to attacking the plaintiff's version of facts or whether the plaintiff's activity was "protected" under the Acts. Often, defendant-employers can point to legitimate, non-retaliatory reasons for the "unfavorable personnel action" forming the basis of the underlying Dodd-Frank or Sarbanes-Oxley claim. Many Sarbanes-Oxley cases and a few recent Dodd-Frank actions show the kind of record that a defendant will need to develop against the plaintiff to successfully defend an action brought under either of these Acts on these grounds.

Under both the Dodd-Frank and Sarbanes-Oxley Acts, a "defendant can…secure a favorable judgment by showing no genuine dispute that the record clearly and convincingly demonstrates that the employer's adverse action would have been taken even in the absence of protected activity."[1] This showing can take many different forms. For example, in Wiest v. Tyco Electronics Corp., the Third Circuit outlined the courts' approach when a defendant-employer claims that an adverse employment decision was taken for legitimate reasons under the whistleblower provisions of the Sarbanes-Oxley Act.[2] In Wiest, the Circuit Court held that a defendant is entitled to summary judgment on a Sarbanes-Oxley claim where it demonstrates that it would have taken the same action in the absence of the "protected behavior."[3] This is an affirmative defense for the defendant-employer.[4] The inquiry into whether the adverse action would have occurred in the absence of the protected behavior does not allow the courts to "second-guess a human resources decision that follows a thorough investigation."[5] The Fourth Circuit has likewise explained that it cannot "sit as a kind of super-personnel department weighing the prudence of employment decisions made by firms."[6] These decisions show that when a company demonstrates legitimate reasons for firing an employee its decision will not be punished by the courts.

In Wiest, the Third Circuit held that the plaintiff's harassment and inappropriate comments to co-workers served as a legitimate affirmative defense to his Sarbanes-Oxley claims.[7] Similarly, in Feldman v. Law Enforcement Associates Corp., the Fourth Circuit held for the employer-defendant because it found that the plaintiff's insubordination was clear grounds for his termination; the protected activity

1 Murray v. UBS Securities, LLC, 2017 WL 1498051 at *13 (S.D.N.Y. 2017).

2 Wiest, 812 F. 3d 319 (3d Cir. 2016).

3 Id. at 333.

4 Id.

5 Id., quoting Abels v. DISH Network Serv., LLC, 507 Fed. Appx. 179, 185 (3d Cir. 2012).

6 Feldman v. Law Enforcement Associates Corp., 752 F. 3d 339, 350 (4th Cir. 2014).

7 Wiest, 812 F. 3d 319, 321 (3d Cir. 2016).

notwithstanding.[8] In that case, the court found that the plaintiff was insubordinate and openly criticized his superiors.[9] In Riddle v. First Tennessee Bank, Nat. Ass'n, the Sixth Circuit ruled in favor of the defendant-employer on a Sarbanes-Oxley claim. It found that, even if the plaintiff engaged in the alleged protected activity, his "poor judgment, investigation handling, and appearance, as well as numerous complaints" lodged against him for "similar shortcomings" were adequate enough grounds for his termination that a Sarbanes-Oxley claim could not survive.[10] In another Sarbanes-Oxley case, the Eastern District of Virginia ruled in favor of a defendant because that defendant-employer showed the plaintiff had "disdain for" and deliberately disregarded the company policies.[11] In Jennings, the court held that based on these legitimate reasons for termination, the defendant would prevail even if the plaintiff could show a prima facie Sarbanes-Oxley claim.[12]

In Johnson v. Stein Mart, Inc., the Eleventh Circuit affirmed a district court's holding that the defendant-employer offered a legitimate, non-retaliatory reason for its termination of the plaintiff in a Sarbanes-Oxley case.[13] In Johnson, the discharged employee of a large store routinely conducted inventory incorrectly. The plaintiff argued, however, that her admittedly poor handling of the store inventory could not be used as the non-retaliatory rationale for her discharge because the employer had not proved that her errors had actually cost the business anything.[14] The Eleventh Circuit rejected this argument, holding that an employer need not demonstrate actual financial loss to fire an employee for a legitimate reason. Instead, a production of "performance reviews and other documentary evidence of misconduct and insubordination" are sufficient.[15]

In Miller v. Stifel, Nicolaus & Co., Inc., the District of Minnesota provided another insight into a Sarbanes-Oxley defendant's burden in proving a non-retaliatory rationale for an unfavorable personnel action.[16] In Miller, the plaintiff worked as a financial advisor at a large firm where most of her work was devoted to a single client.[17] After Miller lost that client for herself and her firm, she was fired. The District of Minnesota held that this was a sufficient non-retaliatory rationale for discharge under Sarbanes-Oxley.

A defendant-employer can also escape liability in Dodd-Frank whistleblower actions by showing "intervening acts of misconduct" by the plaintiff.[18] In Hall v. Teva Pharm. USA, Inc., the Southern District of Florida held that sending personal emails from a work account, using company printers for personal business, and sending out confidential materials to relatives are all behaviors that are proper grounds for firing, even where the plaintiff has engaged in a "protected activity."[19]

In Azim v. Tortoise Capital Advisers, LLC, the District of Kansas held that a plaintiff's general lack of ability to get along with co-workers was an acceptable intervening act of misconduct, and thus defeated his Dodd-Frank retaliation claims.[20] In Azim, the court found that the plaintiff's "critical and disparaging remarks about the company and its management" and his "unreasonable demands on management" were sufficient non-retaliatory reasons for the plaintiff's discharge.[21]

Defendant employers can also prospectively help their defense of future potential Dodd-Frank claims by documenting and maintaining a record of workplace violations. For example, in Ott v. Fred Alger Management, Inc., a terminated employee brought a Dodd-Frank whistleblower claim against her former employer, alleging that she received an "unfavorable personnel action" in the form of a harsh review of her work – mass e-mailed throughout the firm – soon after she engaged in allegedly protected behavior.[22] The Southern District of New York quickly discredited this Dodd-Frank claim, however, because the defendant was able to produce documented evidence that it had

8 Feldman, 752 F. 3d 339, 349 (4th Cir. 2014).

9 Id.

10 Riddle v. First Tennessee Bank, Nat. Ass'n, 497 Fed. Appx. 588, 597 (6th Cir. 2012).

11 JD Uniphase Corp. v. Jennings, 473 F. Supp. 2d 705, 712 (E.D. Va. 2007).

12 Id.

13 Johnson v. Stein Mart, Inc., 440 Fed. Appx. 795 (11th Cir. 2011).

14 Id. at 802.

15 Id.

16 Miller v. Stifel, Nicolaus & Co., Inc., 812 F. Supp. 2d 975 (D. Minn. 2011).

17 Id. at 980.

18 Hall v. Teva Pharmaceutical USA, Inc., 214 F. Supp. 3d 1281 (S.D. Fla. 2016).

19 Id. at 1293.

20 Azim v. Tortoise Capital Advisers, LLC, 2015 WL 6802540 at *9 (D. Kan. 2015).

21 Id. at *17.

22 Ott v. Fred Alger Management, Inc., 2016 WL 5407663 (S.D.N.Y. 2016).

sent many similar mass e-mails directed to the plaintiff prior to the alleged whistleblowing activity.[23] Ott therefore counsels employers to maintain a disciplinary record as an effective defense against Dodd-Frank claims.

In Ott, the unsuccessful plaintiff also claimed "unfavorable personnel actions" in the form of weekend work assignments, denying her the ability to work from home, and not inviting her to a team dinner.[24] Notwithstanding the possibility that these decisions may not have risen to the necessary level of severity to be classified as "unfavorable personnel actions" (the court didn't reach that question), the Southern District held that the defendant had non-retaliatory reasons for each. The defendant employer was able to show that the "weekend work" in question was actually assigned nine days prior to the weekend, that it had strict working-from-home policies, and that the plaintiff was not able to attend the team dinner because of her failure to RSVP in a timely fashion.[25] These court-approved defenses to the plaintiff's Dodd-Frank claims of retaliation show the importance of maintaining a record in employment decisions.

While there is relatively sparse case law on Dodd-Frank whistleblower claims due to its recent implementation, the more substantial case law from Sarbanes-Oxley and Title VII cases should be persuasive. In fact, Title VII precedent is particularly helpful in Dodd-Frank actions because, as a relatively new legal framework without a body of case law interpreting it, courts have held that Title VII retaliation law is persuasive in Dodd-Frank cases.[26]

23 Id. at *10.

24 Id.

25 Id.

26 See, Hall v. Teva Pharmaceutical USA, Inc., 214 F. Supp. 3d 1281, 1288 (S.D. Fla. 2016).

Whistleblower

Protected Activity

Dodd-Frank

Reporting a securities violation to the SEC.

Digital Realty Trust, Inc. v. Somers, 138 S.Ct 767 (2018)(Dodd-Frank protects those who report only to the SEC, not who report internally).

Protected Activity

Sarbanes-Oxley ("SOX")

Raising concerns about a securities violation internally or externally.

Burden of Proof

Dodd Frank

- Plaintiff must establish a *prima facie* case
  1. protected activity
  2. adverse employment action
  3. adverse action was causally connected to the protected activity
- Defendant then must articulate legitimate non-retaliatory reason for the adverse action.
- Plaintiff must then prove that the legitimate reasons offered were a pretext.

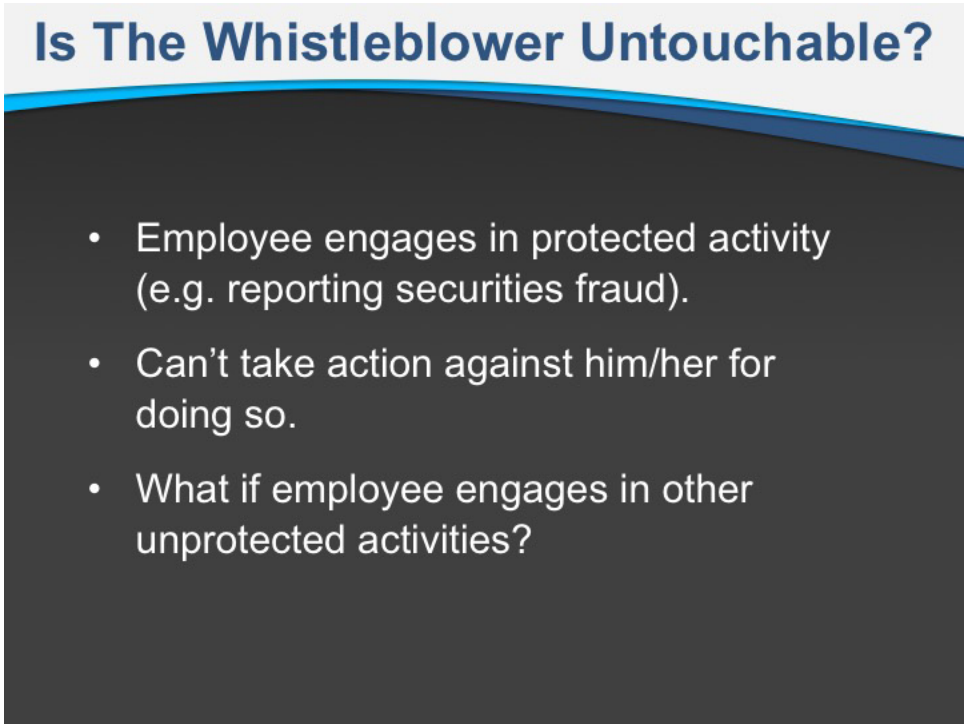
Burden of Proof

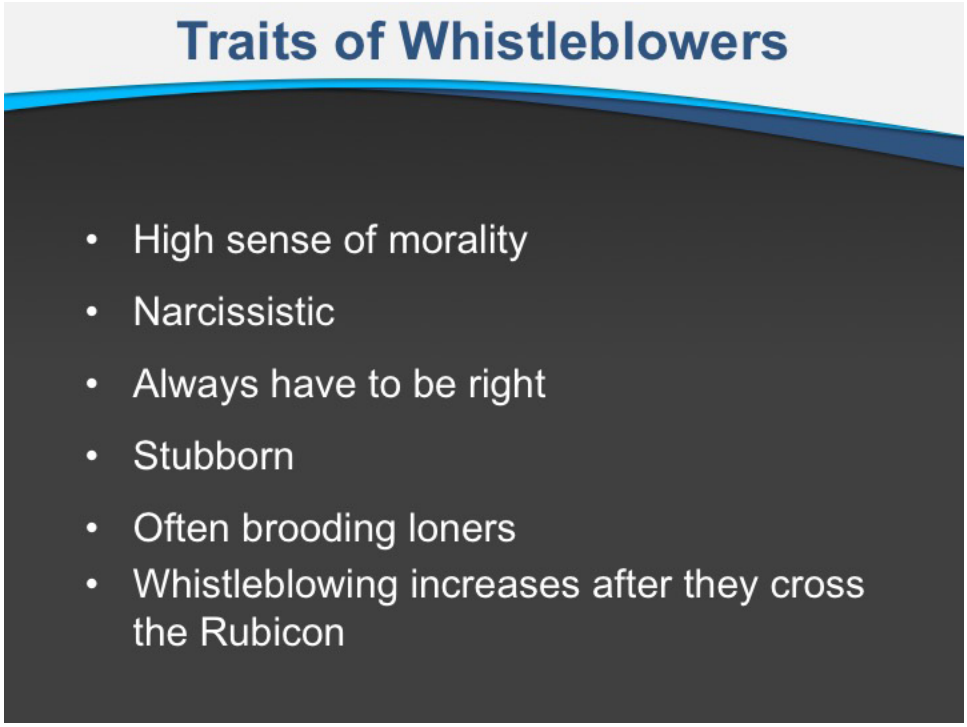
SOX

- Plaintiff must show
  1. protected activity
  2. employer knew or suspected protected activity
  3. unfavorable personnel action
  4. protected activity was a contributing factor to the unfavorable action
- Defendant must prove by clear and convincing evidence that it would have taken the same adverse action in the absence of the protected activity.

Temporal Proximity

- When adverse action comes soon after protected activity, it can create an inference of retaliation.
- If there is a 3-4 month lag, Plaintiff must present evidence to connect the events, e.g. a pattern of antagonism.


Is The Whistleblower Untouchable?
• Employee engages in protected activity (e.g. reporting securities fraud).
• Can't take action against him/her for doing so.
• What if employee engages in other unprotected activities?


Traits of Whistleblowers
• High sense of morality
• Narcissistic
• Always have to be right
• Stubborn
• Often brooding loners
• Whistleblowing increases after they cross the Rubicon

Example

- Employee calls CEO and reports securities fraud.
- Investigation ensues and employee is satisfied
- Employee starts raising other concerns (e.g. safety)
- Insists on things being done his way
- Calls management crooks/incompetent
- Calls people at night
- Refuses to report and let others handle
- Generally disruptive on job

Legitimate Reasons For Adverse Action

- Harassment and inappropriate comments to co-workers
- Insubordination
- Poor judgment, appearance, complaints against him/her
- Disdain for and disrespecting company policies (sending confidential information, using work computers and printers for personal business)
- Poor job performance

Legitimate Reasons For Adverse Action

- Losing a big client
- Inability to get along with co-workers
- Disparaging remarks about management and unreasonable demands on management
- Past disciplinary record

But, But, But…

SOX

Defendant has to prove by clear and convincing evidence that it would have taken the adverse employment action in the absence of protected activity.

SOX Exhaustion Requirement

- Plaintiff must file a complaint with OSHA within 180 days of the SOX violation or when Plaintiff becomes aware of it.
- Valid defense if Plaintiff fails to do so

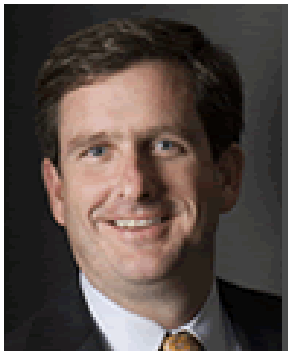
Takeaways

- Be careful when taking adverse action
- Make sure you have solid, non-retaliatory reasons
- Delay action as long as possible
- The burden of proof on defendants can be high
- Document all bad performance/conduct
- Poor performance or bad conduct before protected activity is best

Takeaways

- Intervening poor performance must be clear
- Insubordination, name-calling, and other bad behavior can suffice
- Comparables
  - Others who engaged in the same protected activity were not retaliated against
  - Similar bad behavior by others similarly punished

Whistleblower



LEE M. HOLLIS

Partner

LIGHTFOOT FRANKLIN & WHITE (Birmingham, AL)

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In order to be the best trial lawyer you can be, you have to love what you do and work hard at it. Lee prides himself on doing just that and in getting excellent results for clients.

Lee has tried numerous serious wrongful death, personal injury and commercial cases to defense verdicts. Currently, Lee spends most of his time defending high exposure personal injury cases. He is frequently retained by major excess insurance carriers as high exposure cases approach trial. In that role, Lee serves as either trial counsel or appellate counsel at trial. He also spends a significant amount of time handling commercial cases on behalf of plaintiffs and defendants. He is admitted to practice in all State and Federal courts in Alabama, as well as the Eleventh Circuit Court of Appeals and the United States Supreme Court, and frequently practices pro hac vice in courts around the country.

Lee has been recognized by the Alabama and Mid-South editions of Super Lawyers since 2010 for product liability defense. The Best Lawyers in America by Woodward White, Inc. selected Lee for his work in commercial and personal injury litigation in its 2018 edition.

Lee is currently a member of the firm's management committee and serves as chair of the firm's business development committee. Previously, he served as a member of and chair of the recruiting committee.

Representative Matters

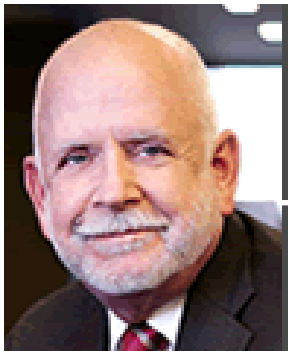
- Won a $70 million jury verdict on behalf of a major chemical manufacturer in a breach of contract case.
- Won a defense verdict in a Mississippi Federal Court trial involving 15 deaths and 15 injuries arising out of a bus crash, in spite of the fact that sanctions imposed because of the conduct of the case before he was retained severely restricted the arguments the defense was allowed to make.
- Defeated class certification on behalf of Fortune 10 company in Louisiana state court arising out of allegedly infected endoscopes. Subsequently summary judgment was granted for our client.
- Successfully brought a breach of contract case on behalf of a Swedish air carrier arising out of defective modifications to three Boeing 737-300 aircraft.
- Won a defense verdict in a wrongful death product liability case involving a tractor rollover.
- Won a defense verdict in a wrongful death product liability case involving a fall from a utility pole.
- Tried a double wrongful death case on behalf of a road builder to a hung jury in a county that had not had a defense verdict in a civil case in 20 years. (Believe me, the client considered the hung jury a win.)
- Served on one of 5 designated trial teams for a Fortune 10 company in nationwide pharmaceutical litigation.

Awards and Recognition

- AV rated by Martindale-Hubbell
- Best Lawyers in America—commercial litigation
- Mid-South Super Lawyers—personal injury defense
- Benchmark Litigation—"Future Star"
- Benchmark Litigation — "Litigation Star"

Education

- B.S., Washington & Lee University, 1986 cum laude
- J.D., Vanderbilt University Law School, 1992



YOU MAY BE WRONG, BUT YOU MAY BE RIGHT: HOW ADMITTING FAULT CAN GIVE YOU A WIN

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The Benefit of Admitting Fault, Causation or Both
John Sandberg

Admitting fault, causation or both is a strategic decision that should be considered in some situations where it will benefit your client in the outcome.

It is a strategic decision because it will affect your overall plan for the litigation in a major way and as we all know making a strategic mistake could cause a bad outcome.

So admitting fault is a step that requires careful consideration.

What are the circumstances that should lead you to consider admitting fault or causation, or both?

Sometimes you know from day one when the client tells you that there are serious problems with your defense on liability, and other times you will have had to conduct some initial investigation or possibly discovery to realize the bad position your client is in.

Often times the reason why you admit fault is because of "bad facts." Bad facts may be a failure to follow procedure, failure to follow good practices, creating unsafe conditions, or any bad action, etc. If you admit fault, you should be able to keep out such details that might inflame the jury against your client. We are all aware of the danger of the bad liability facts leading to a large damage award where the damages were highly questionable.

A good test for when you should admit liability is when you cannot come up with a story that will avoid liability for your client (at least not with a straight face).

In the wrongful death case where my client hospital gave the wrong blood to the patient who died as a result, I knew from the first call from the client that we would have to admit liability and causation. There was no defense. In this pre-cap case the patient who died was the mom and sole care giver of her 25 year old son, who had Muscular dystrophy. Not great facts but nevertheless the jury gave the son less than half of our pretrial offer.

Sometimes fault is obvious but causation is not.

So, for example, in a case where the product manufacturer mis-designed a replacement part such that people would install it backwards, which resulted in the failure of the part to function. The part was a fuel filter, which when installed backwards would impede fuel flow significantly. A plane crashed two days after the recall notice went out. Fault was admitted, causation was not. The defense argued that the real cause of the accident was the mechanic who installed the part, and literally hammered it into place. After a two week jury trial, the jury verdict was 75% liability for the mechanic and 25% liability for the manufacturer. The resulting amount of the

verdict against the manufacturer was about 10% of the pre-trial offer.

When considering whether to admit fault to keep out bad facts you need to analyze whether your opponent can amend to add a punitive damage claim. A punitive damage count would allow your opponent to put into evidence all that bad evidence you wanted to keep out. You usually need to consider your state law and the judge you are in front of, in order to come to a good opinion on stopping the punitive claim.

Make the decision early if you can. If you make it late, the judge might not allow you to do so over objection. Some plaintiff's attorneys are smart enough to realize that fault evidence where fault is obvious can be very helpful.

At trial, you won't be able to keep out all of the facts about how the accident happened. Judges usually will let the plaintiff's attorney produce some limited amount of evidence so the jury understands what happened in the accident.

If there is one individual who made the error that led to the accident, plan on having that individual testify, presuming they are comfortable admitting their fault on the stand. Juries are sympathetic of witnesses who admit they made a mistake.

One of the benefits of admitting fault or causation or both is that the trial is now concentrated on damages or causation or both (depending on what has been admitted).

By limiting the scope of the issues to be tried allows both your opening statement and final argument to be focused on the damages or causation or both.

You can state in the opening statement, and argue in closing that you want the jury to give a fair amount to the plaintiff as compensation for their loss. I generally use the analogy that I want the jury to give them a full glass, but also nothing more than a full glass.

In my half dozen experiences of admitting liability, I tried all but one of those cases to a jury verdict. One would think that admitting liability might make it easier to settle the case, but that has not been my experience. Plaintiff's attorneys tend to think that it is a huge benefit to them to try the case on damages only, but they are generally wrong. In my experience it is better for the defense. Many plaintiffs' attorneys don't seem to appreciate how much liability evidence impacts the amount of the verdict. In the five cases that I tried to a verdict where only fault or both fault and causation were admitted, the verdict came in each time under the amount of the last offer to the plaintiff and considerably under the last demand.

So, for example, my client admitted liability early in a wrongful death case of an unmarried mother with three minor children who was killed after my client's concrete pumper crossed the center line and hit the mother's vehicle head-on. Our truck driver testified at trial and admitted his fault, and the jury returned a verdict for less than 50% of our last offer and less than a third of the last demand.

Because the trial was only about damages I produced evidence of the four-year cost of tuition at the University of Missouri-Columbia. In final argument in a jury with nine women I argued that if they gave those kids much more than a good education they would ruin them for life. The moms agreed with me in their verdict.

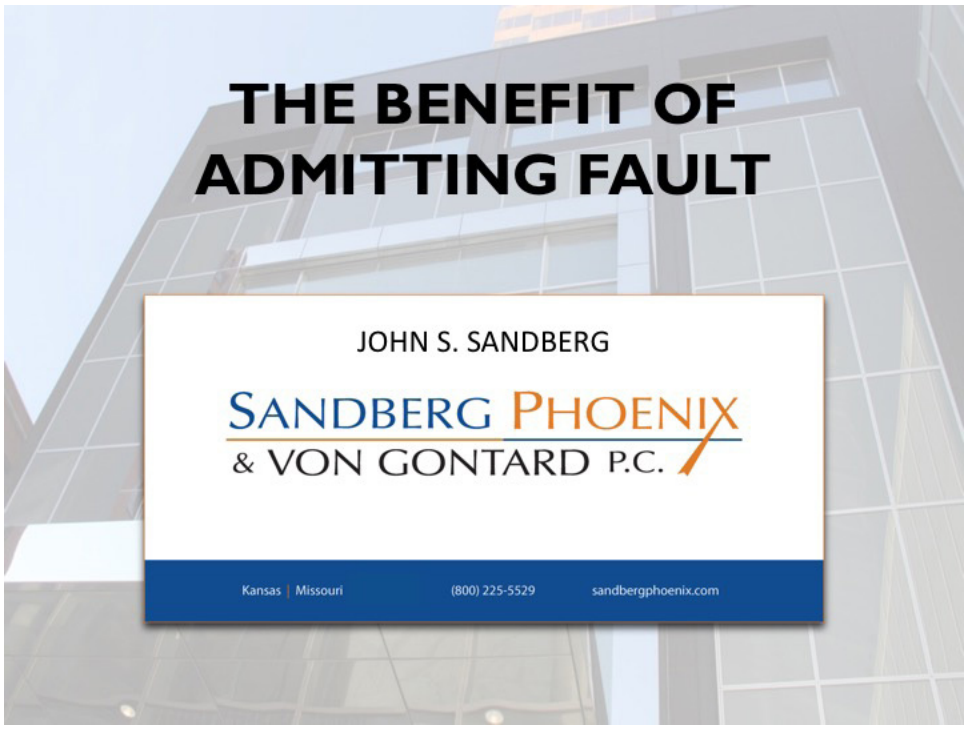
In a Jones Act case, an engineer allegedly hurt his back trying to remove a piece of equipment. The evidence established that it had been reported previously there were problems in removing the equipment. Given the slight negligence standard in the Jones Act, we admitted liability and concentrated our argument on the damages. The jury verdict was about 60% of the last offer.

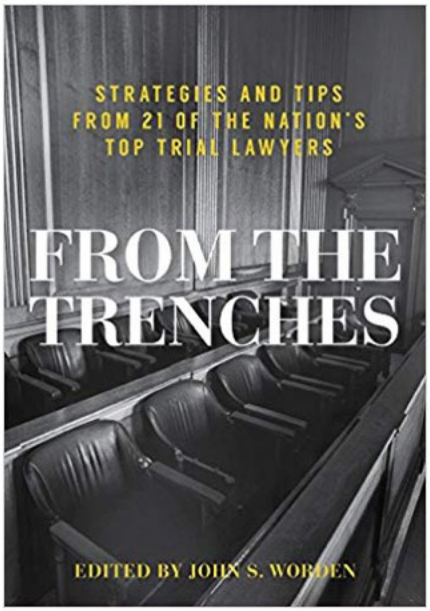
There are also circumstances where you might admit a more limited fact, again, because it will keep out potentially harmful evidence.

For example, in Missouri and Illinois, and I think in most states, a claim for negligent hiring is usually only under circumstances where the employer has denied employment or has denied the employee was acting within the course and scope of employment. Well, if the evidence of how you didn't follow your own procedures in hiring the employee comes into evidence, the jury might be inflamed and reflect same in their verdict. However, if you admit the hiring, then the plaintiff cannot submit on negligent hiring; and therefore, the evidence stays out. See

for example, Corbett v. Celadon Trucking Services, Inc., Civil Action 1:14-CV-1233 (N.D. GA)

In Nevada you are in danger of being liable for attorneys' fees if you fail to admit fault early. Nev. Rev. Stat. section 18.010. A court may allow attorneys' fees if it finds that a defense of the opposing party was brought or maintained without reasonable ground. The Nevada statute has been around a long time – be wary in Nevada.





Sometimes You Must

WHAT I WILL COVER

- What circumstances should lead you to admit fault or causation or both
- Why it is a benefit to admit fault or both fault and causation
- When during the course of the case should you admit fault

6 HARDEST WORDS TO SAY

- Even harder to say to opposing counsel – You are right, my client was wrong

Why Admit Liability?

- Jury will be reasonable – both lawyers say be reasonable

WHAT CIRCUMSTANCES?

- Bad facts
- Bad law
- Bad witnesses

When Facts Are Bad

- Gave a patient the wrong blood – patient died!
- Misdesigned fuel filter – pilot/passenger died
- Engineer injured back – earlier complaints about equipment that caused injury
- Concrete pumper crossed centerline killing mom

When Law Is Bad

- Strict liability

When Witnesses Are Bad

When You Are Trying Damages Only

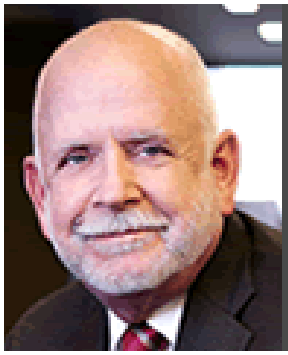
- From voir dire to closing you have one subject to cover – reasonable compensation for the plaintiff
  - Your evidence motions can attack just damages
- Jury has nothing to get them agitated
- Plaintiff's attorney have no facts to pound on
- Suggesting a number is expected and needs to be based on evidence

DANGERS

- Does plaintiff have evidence to support punitive damages?
- Did you wait too long to admit liability?
- Probably end up trying case

BENEFITS

- SIX CASES – Five trials
  - No verdict exceeded demand
  - Each verdict below offer!
- One settlement
  - Demand $2 million
  - Settled $450,000
    - I didn't think jury would award more than $300,000



JOHN SANDBERG

Shareholder

SANDBERG PHOENIX & VON GONTARD (St. Louis, MO)

314.446.4214 | jsandberg@sandbergphoenix.com

John is a shareholder and founding member of Sandberg Phoenix & von Gontard. He concentrates his practice in business litigation. John has been named to the Missouri & Kansas Super Lawyers list in the Business Litigation area each year since 2005. He was also named as one of the Top 50 Missouri & Kansas Super Lawyers in St. Louis for 2007, 2008, 2009, 2011 and 2015, and one of the Top 100 Missouri & Kansas Super Lawyers in 2009 and 2015. John has been recognized as one of the best trial attorneys in the country by Best Lawyers in America since 2005 in the areas of Personal Injury Litigation, Product Liability Litigation, Commercial Litigation, Construction Litigation and Real Estate Litigation. He was a Leadership St. Louis participant from 1998-1999.

John has been selected by his peers for inclusion in Best Lawyers in America® since 2005 in several practice areas, including Commercial Litigation; Personal Injury Litigation – Defendants; Product Liability Litigation – Defendants; Construction Litigation; and Real Estate.

Services

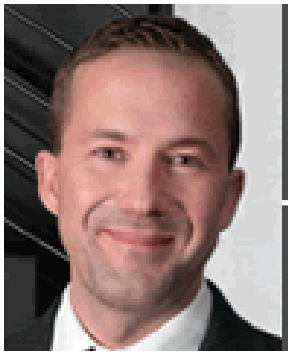
- Commercial Litigation
- Construction Litigation
- Insurance Coverage & Bad Faith
- Product and Toxic Tort Liability
- Professional Liability

Successes

- Garth v. Atlantic Express. Circuit Court of the City of St. Louis, Missouri. We received a defense verdict after four and one-half hours of deliberation. A 14-year old girl was sexually assaulted while riding the school bus home one afternoon. The two assailants were expelled and criminally convicted. Plaintiff claimed the bus company failed to train the driver to prevent this situation and claimed the bus driver negligently failed to intervene in the ongoing assault.
- Hoover v. Brundage Bone Concrete Pumping Co. Circuit Court of Greene County, Missouri. Admitted liability for death of 37-year old mother of three after defendant's truck crossed center line into path of mother's vehicle. Verdict for children for $1,000,000. Lowest demand – $3,000,000.
- Massachusetts Mutual v. Vossmeyer, et al. United States District Court for the Eastern District of Missouri. The verdict was for our client. John won the suit over a $500,000 life insurance policy on the basis of forgery, undue influence and incompetence.
- Newbound v. Kitchens. Circuit Court of the County of St. Louis. Wrongful death of woman patient in ER unit. Our client was the treating neurosurgeon. $3,000,000 demand. Verdict for our client.
- Roseman v. Roto-Die. United States District Court for the Eastern District of Missouri. Lost minority shareholder action against company about redemption agreement. The decision is on appeal.

Education

- John received his Juris Doctor, cum laude, from the University of Missouri-Columbia in 1972 where he was awarded the Order of the Coif and was Managing Editor, Missouri Law Review, 1971-1972.
- He received his undergraduate degree, with honors, from the University of Missouri-Columbia in 1970.



HOW TO OPTIMIZE DISCOVERY IN THE AGE OF DIGITAL MEDIA

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Digging for Gold in a WhatsApp World - How to Optimize Discovery in the Age of Digital Media
Josh Lanning

A few decades ago, a renowned North Carolina trial lawyer was known to grumble that the practice of law was ruined by the Xerox machine. Discovery, and the need to sort through so many separate documents, he complained, had eclipsed the creative, strategic, and rhetorical activities that were the hallmark of good lawyering. But – to understate things - he had no idea what was coming. Lawyers today can only wistfully imagine what it was like to practice in a world where their biggest discovery headache was how many boxes of documents they needed to review. One where they could dictate a letter, and then nothing would happen in a case until, days or weeks later, they received a similarly dictated letter back from their opponent. That world is inarguably quaint compared to today's, in which the practice of law – particularly litigation - is always in the fast lane. In this respect, the practice of law tracks modern trends in society and business, where everyone is a tech addict. Most of you will probably check your cell phone at least once while reading this article. And the same is true of the people and corporate entities that make up our clients.

From a discovery perspective, the exponential increase in methods of communication and data storage can create a huge headache. When preparing a discovery plan, it is hard enough to get a handle on how a company stores and accesses the records on its own systems. A whole new set of problems arises when trying to grapple with the fact that a substantial amount of a company's business occurs on mobile devices that the company does not own. The days of company-issued devices that are strictly controlled by company IT staff are gone for the most part. Today's employees do not want to carry two devices (one work and one personal), particularly when their personal device is often more modern and more capable than anything they might get from work.

So the trend is for companies to adopt Bring Your Own Device ("BYOD") policies, which permit an employee to use a personal device for work purposes. There are many advantages. BYOD encourages employees to keep all information on one device. IT groups are less strained since maintenance issues are handled by a third party. And the up-front cost to the employer tends to be much lower. On the other hand, the BYOD-adopting company has now created a (sometimes very large) set of siloed data repositories that it does not own and over which it may have very little control. Company information may be stored or even transmitted using applications that have no connection to the company's network. And employees may conduct business through mediums that provide the company with very little oversight.

The complexities arising from the BYOD era are

endless. This article focuses only on a small, but very important issue, namely the litigating company's duties with respect to company data stored on personal devices. Some of that data is less problematic. For example, if the employee uses the device for e-mail using an account that is hosted on the company's Exchange server, those communications should already be present on the company's system. However, where an employee conducts business through the use of a private e-mail account; or text messages; or (even worse) an encrypted communications application like WhatsApp or Signal, the issues are murkier. The law is, of course, rapidly evolving in this area – but some of the general principles relating to how this off-the-grid data will be treated in discovery are set forth below.

Legal Principles for Personal Device Discovery

By this point, it is already well-accepted that a company's electronically stored information ("ESI") is fair game in litigation, and managing ESI discovery has quickly become a very time-consuming and expensive staple of modern litigation. The discovery rules have evolved accordingly (albeit slowly) to address the substantial burdens ESI places on the discovery process. F.R. Civ. P. 26(b)(2)(B) now provides that a "party need not provide discovery of electronically stored information from sources that the party identifies as not reasonably accessible because of undue burden or cost" which designation may be challenged via motion to compel. F.R. Civ. P. 37(e) now provides the framework for courts facing a party's failure to take reasonable steps to preserve ESI in the face of real or anticipated litigation. Upon a finding of prejudice, the court "may order measures no greater than necessary to cure the prejudice." Upon finding that "the party acted with the intent to deprive another party of the information's use in the litigation" the court may make an adverse inference, instruct the jury that it may or must make an adverse inference, or dismiss the action or enter a default judgment.

There is no special rule or statute for discovery of employee-owned devices. However, it is generally accepted that company-related ESI is discoverable even on personal devices. In May 2018, the Sedona Conference published its Commentary on BYOD: Principles and Guidance for Developing Policies and Meeting Discovery Obligations (the "BYOD Principles"). The Sedona Conference has been cited hundreds of times by courts struggling with the paucity of helpful precedent on e-discovery issues, and its BYOD guidance will likely shape the jurisprudence on this issue. The BYOD Principles expressly states: "Parties cannot ignore their discovery obligations merely because the ESI is on a device that is mobile or owned by an employee."

Principle 3 of the BYOD Principles provides that "[e]mployee-owned devices that contain unique relevant ESI should be considered sources for discovery." Conversely, Principle 5 holds that ESI that is not relevant or that is stored in other (more accessible) places, is not subject to discovery from employee-owned devices. Drawing on well-developed general rules and principles from discovery jurisprudence, the Sedona Conference advises that courts also consider the following: (1) whether the organization has possession, custody, or control over the ESI; (2) whether the ESI is unique or duplicative of other ESI that is more readily accessible; and (3) whether discovery of the ESI is proportional.

Practice Pointers: The BYOD Policy and Other Rules for Company ESI

The Written BYOD Policy: The accepted best practice for a company permitting employees to use personal devices for business is to adopt a formal, written BYOD policy. Such a policy is essential for addressing many non-litigation related issues with personal devices, such as protection of intellectual property and employee privacy concerns. Moreover, the improving ground rules for such policies can be very helpful in litigation. A well-written BYOD policy should, among other things, establish a mechanism for tracking which employees are using personal devices for work; which devices are in use; which applications are authorized for work related use; how the company monitors data use on personal devices; what level of consent the employee has given for the company to access a personal device; types of information that can be stored on the personal device; and company practices for separating personal and business information. Thinking back to the BYOD Principles established by the Sedona Conference,

all of these items will be important in determining whether information on employee-owned devices is in the company's "possession, custody, or control", whether such information is likely to be duplicated on the company's servers, or elsewhere, and whether discovery of such information falls into the developing body of "proportionality" jurisprudence. A party's first set of document requests should include a demand for any written BYOD policy for the time period at issue.

Regulatory Requirements: Beyond the mere duty of preservation in the conduct or anticipation of litigation, the regulatory requirements for numerous industries have their own preservation obligations. Commentary to the 2015 Amendment to F.R. Civ. P. 37(e) notes:

> Although the rule focuses on the common-law obligation to preserve in the anticipation or conduct of litigation, courts may sometimes consider whether there was an independent requirement that the lost information be preserved. Such requirements arise from many sources – statutes, administrative regulations, an order in another case, or a party's own information-retention protocols.

In the financial sector, for example, the Securities and Exchange Commission requires members, brokers, and dealers to preserve communications related to their "business as such"; the Office of the Comptroller of the Currency requires that a bank's management ensure its adoption of "any communications technology" continues to allow for an examiner to access bank records; FINRA requires all books and records to be preserved in a compliant format. Outside of the U.S., in the Investment Industry Regulatory Organization of Canada requires retention of "electronic correspondence and records supervision"; the UK's Financial Conduct Authority requires firms to take reasonable steps to record relevant communications; and the European Securities and Markets Authority requires firms to keep records of electronic communications relating to "business transactions."

The commentary to Rule 37(e) cautions that such "independent" preservation obligations may protect interests that are irrelevant to litigation, and in such cases "the fact that the party failed to observe some other preservation obligation does not itself prove that its efforts to preserve were not reasonable with respect to a particular case." However, it is not hard to imagine numerous scenarios where regulatory ESI retention requirements are designed to protect consumers or competitors from the same types of conduct that might give rise to a lawsuit. Looking again at the financial industry, in the recent past there have been numerous high-profile scandals that were facilitated, at least in part, by employees' use of off-the-grid applications on their personal devices. In her article Wall Street's New Favorite Way to Swap Secrets Is Against the Rules[1], journalist Laura Keller notes the proliferation of encrypted messaging apps like WhatsApp and Signal. She notes that "just about everyone in finance is embracing these apps as an easy, and virtually untraceable, way to circumvent compliance, get around the HR police and keep bosses in the dark." And the regulators have taken notice. In 2017 the FCA fined Barclay's Bank £284,000,000 for inadequate electronic messaging oversight; in 2017 the FCA fined a Jeffries trader for sharing confidential information on WhatsApp; in 2015 the Securities and Futures Commission (Hong Kong) suspended a trader for WhatsApp texts; and in 2016 FINRA fined RBS $2,000,000 for poor electronic messaging retention and oversight.

Accordingly, it is important to understand any and all records-related rules and regulations for a company's particular industry.

Conclusion

A well-developed understanding of a party's IT infrastructure (be it your client or their adversary) including their use of "off-the-grid" devices and applications, is a critical in modern litigation.

1 Laura Keller, Bloomberg, March 30, 2017. Accessed on 5/1/18 at https://www.bloomberg.com/news/articles/2017-03-30/wall-street-s-whatsapp-secret-illegal-texting-is-out-of-control.

Digging for Gold in a WhatsApp World

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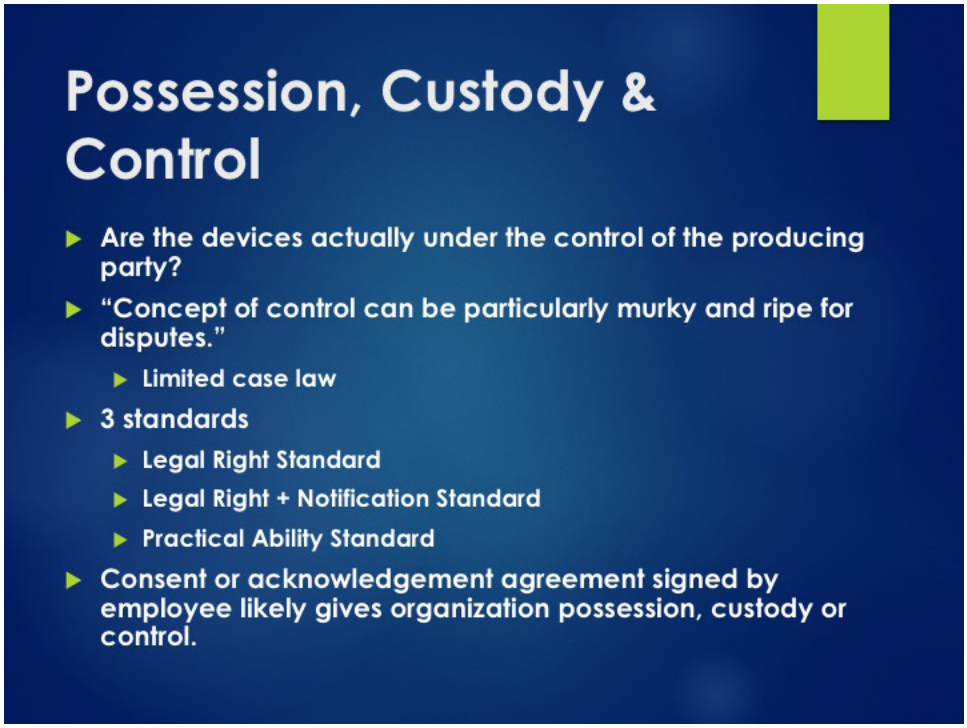
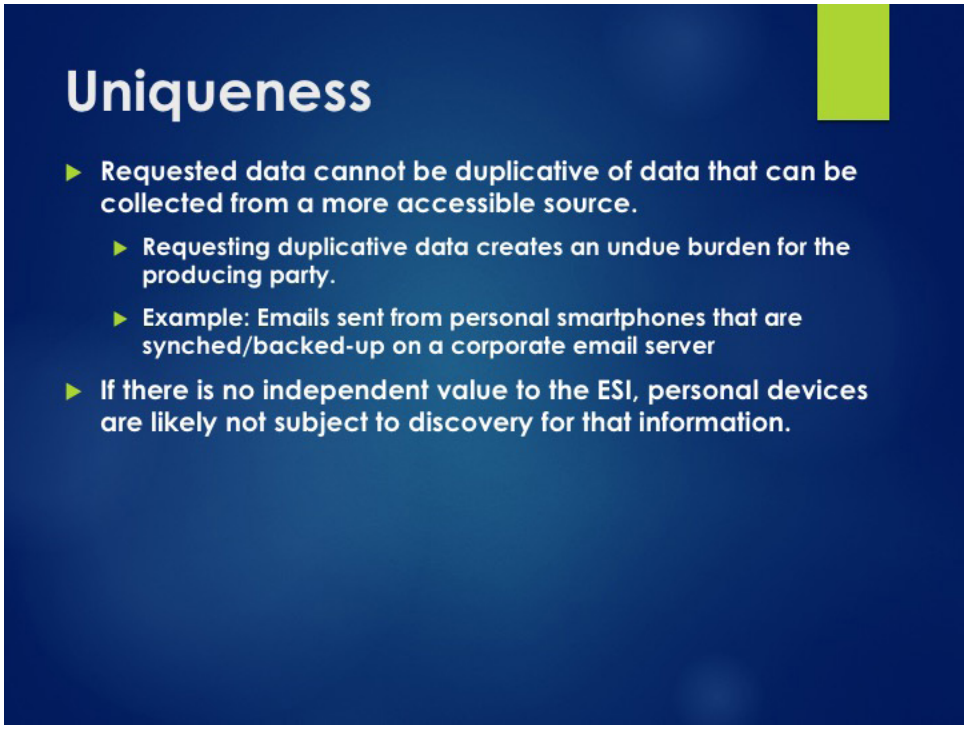
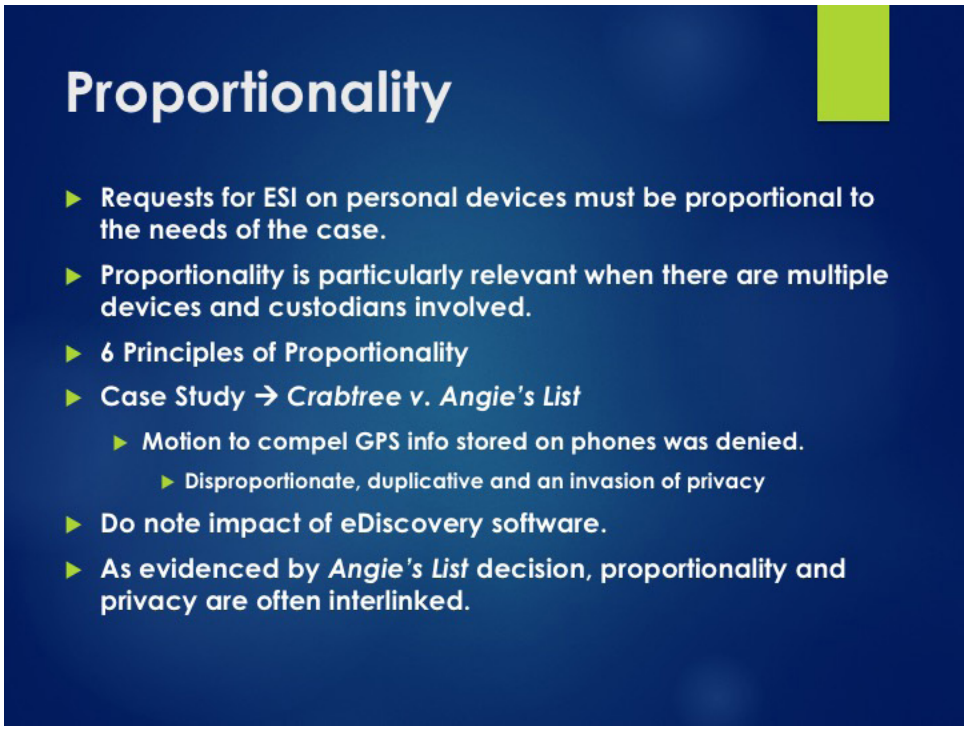
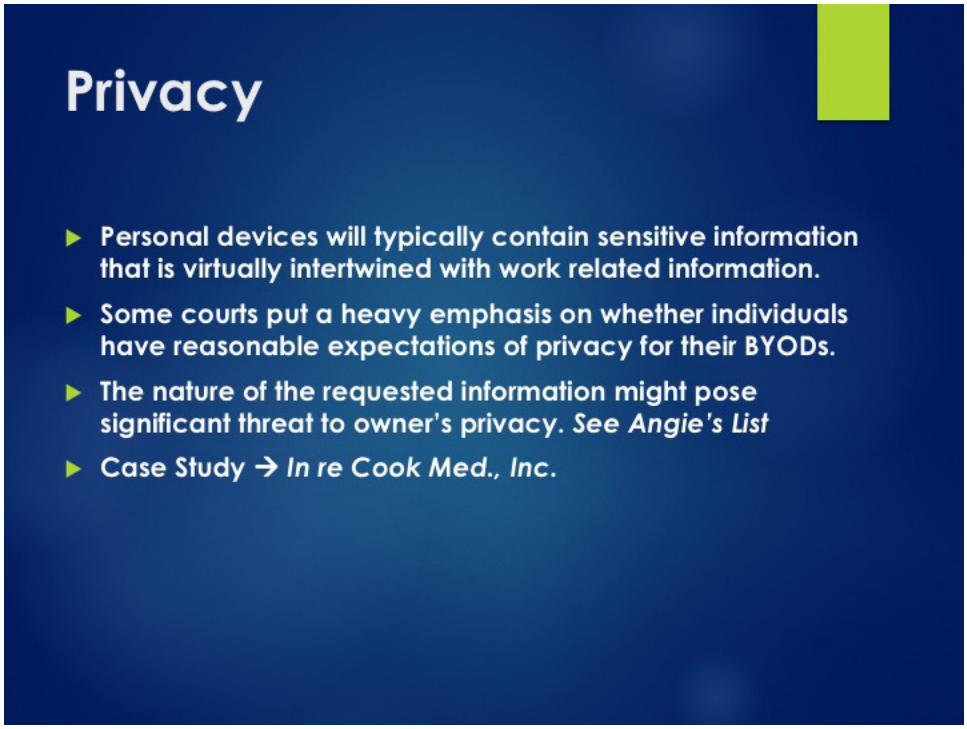
BYOD Legal Principles

- Rule 26(b)(2)(B)
  - Undue burden or cost?
- Accessibility Standard
  - Is the expenditure of resources necessary to access the information reasonable?
- Discoverability Factors
  - Employer possession, custody and control
  - Uniqueness
  - Proportionality
  - Personal privacy concerns


Possession, Custody & Control
Are the devices actually under the control of the producing party?
"Concept of control can be particularly murky and ripe for disputes."
Limited case law
3 standards
Legal Right Standard
Legal Right + Notification Standard
Practical Ability Standard
Consent or acknowledgement agreement signed by employee likely gives organization possession, custody or control.


Uniqueness
Requested data cannot be duplicative of data that can be collected from a more accessible source.
Requesting duplicative data creates an undue burden for the producing party.
Example: Emails sent from personal smartphones that are synched/backed-up on a corporate email server
If there is no independent value to the ESI, personal devices are likely not subject to discovery for that information.


Proportionality
Requests for ESI on personal devices must be proportional to the needs of the case.
Proportionality is particularly relevant when there are multiple devices and custodians involved.
6 Principles of Proportionality
Case Study → Crabtree v. Angie's List
Motion to compel GPS info stored on phones was denied.
Disproportionate, duplicative and an invasion of privacy
Do note impact of eDiscovery software.
As evidenced by Angie's List decision, proportionality and privacy are often interlinked.


Privacy
Personal devices will typically contain sensitive information that is virtually intertwined with work related information.
Some courts put a heavy emphasis on whether individuals have reasonable expectations of privacy for their BYODs.
The nature of the requested information might pose significant threat to owner's privacy. See Angie's List
Case Study → In re Cook Med., Inc.

Recommendations (for the client)

- Carefully consider BYOD policy that asserts ownership.
- Make employees fully aware of the specifics of the BYOD policy.
- Factor into BYOD policies the likelihood that personal information will be stored on BYOD devices.
- Consider employee privacy interests before collecting ESI from employee owned devices.
- Utilize tools that minimize the commingling of personal and organizational data.
- NEVER terminate or threaten employees who refuse to turn over devices.

Recommendations (for counsel)

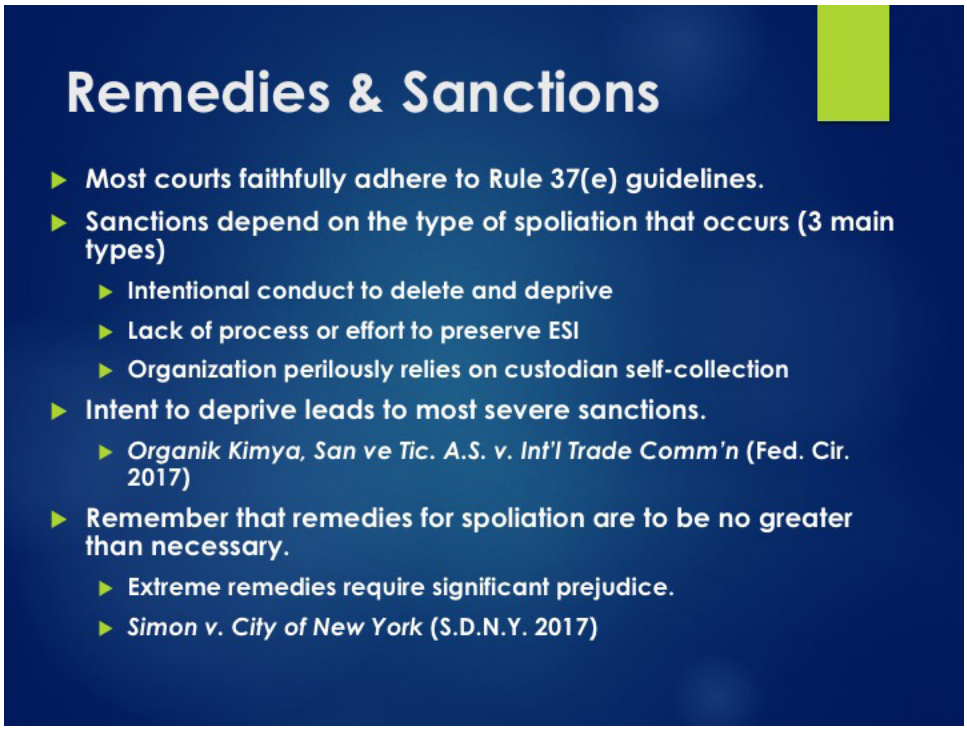
- Develop a deep understanding of your client's BYOD policy
  - Both the theoretical policy and how it is practiced in reality
- Confer with client to determine cost and expense (reasonableness) of producing certain types of ESI.
- First look into more accessible sources of relevant discoverable information before going to less accessible sources
- Remember that device content may be accessible for business needs and still not be proportional for purposes of discovery
- Be aware of the ways in which Courts will balance data protection laws with discovery obligations

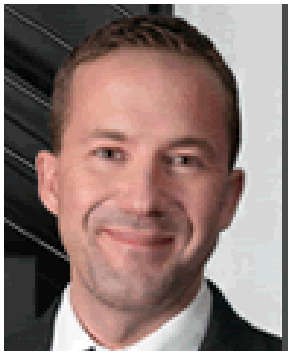
Recommendations (for counsel)

- 30(b)(6) Depositions
  - The role of the 30(b)(6) witness has become tremendously important.
  - Can help uncover what discoverable ESI a party has, how it is stored and mechanisms for uncovering it
  - Most medium to large sized companies employ a wide array of information technology personnel.
- Pointers for Selecting and Prepping 30(b)(6) Witnesses
  - Identify an ESI issue witness at the beginning of the discovery process.
  - Consider demeanor.
  - In preparing witnesses, focus on enabling them to address primary ESI issues.

Duty to Preserve

- Amended Rule 37(e) Failure to Preserve Electronically Stored Information
  - 3 conditions must be met before Rule 37(e) remedies can be invoked
    1. ESI that should have been preserved in the anticipation or conduct of litigation is lost;
    2. A party failed to take reasonable steps to preserve the information; and
    3. The information cannot be restored or replaced through additional discovery.
  - If these 3 conditions are satisfied, then:
    - Upon a finding of prejudice to another party from the loss of the information, the Court may order measures no greater than necessary to cure the prejudice; or
    - Only upon a finding that the party acted with intent to deprive another party of the information's use in the litigation, it may:
      - (A) Presume that the lost information was unfavorable to the party;
      - (B) Instruct the jury that it may or must presume the information was unfavorable to the party; or
      - (C) Dismiss the action or enter a default judgment.


Remedies & Sanctions
Most courts faithfully adhere to Rule 37(e) guidelines.
Sanctions depend on the type of spoliation that occurs (3 main types)
Intentional conduct to delete and deprive
Lack of process or effort to preserve ESI
Organization perilously relies on custodian self-collection
Intent to deprive leads to most severe sanctions.
Organik Kimya, San ve Tic. A.S. v. Int'l Trade Comm'n (Fed. Cir. 2017)
Remember that remedies for spoliation are to be no greater than necessary.
Extreme remedies require significant prejudice.
Simon v. City of New York (S.D.N.Y. 2017)



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Josh Lanning brings considerable litigation experience to his cases with a wide-ranging background in complex commercial disputes and substantial tort claims.

Lanning has represented plaintiffs and defendants in state and federal courts throughout North Carolina as well as in a number of other jurisdictions, having litigated significant disputes on behalf of his clients in Connecticut, Massachusetts, New York, New Jersey, Florida, Maine, Georgia, Utah, Nebraska, Texas, and Louisiana. In addition, Lanning has managed multiple internal investigations for clients including Fortune 500 companies and local government bodies.

In the courtroom, Lanning has tried numerous cases to court decision or jury verdict and has successfully argued state and federal appeals in areas ranging from constitutional law to securities entitlements. Lanning focuses his practice on commercial litigation including matters involving complex contractual disputes; fraud and other business torts; Civil RICO; unfair commercial practices; securities fraud; intellectual property; and fiduciary duties. His clients are a diverse set of people and businesses ranging from individuals and families to large national banking institutions.

In addition, Lanning has made pro bono matters an important part of his litigation practice. His experience includes representing prisoners in need of adequate medical care; advocating for special needs children requesting special education services under the federal Individuals with Disabilities Education Act; helping battered spouses obtain protective orders; representing families facing eviction; and assisting in obtaining debt relief for low-income families who were victims of a nationwide fraud ring.

Practice Areas

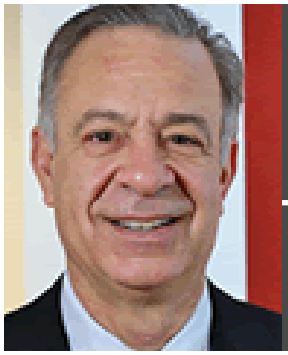
- Employment & ERISA Litigation
- Financial Regulatory Advice and Response
- Financial Services Litigation
- International Dispute Resolution
- Litigation
- Mediation and Arbitration Services
- Securities Litigation
- White Collar, Regulatory Defense, and Investigations

Of Note

- Served as a Henry Luce Foundation scholar in Kuala Lumpur, Malaysia assisting the Malaysian Bar Foundation in implementing its new Domestic Violence Act and in developing its new section on international mediation and arbitration.
- Order of the Coif.
- Named to the Access to Justice Pro Bono Partners 2013 Pro Bono Honor Roll by Legal Services of Southern Piedmont, Legal Aid of North Carolina–Charlotte, and Council for Children's Rights
- Selected for inclusion to the North Carolina Super Lawyers list in 2017-2018 for Business Litigation

Education

- B.A., University of North Carolina, 1995 (Distinction, Highest Honors)
- J.D., University of North Carolina, 2000; Order of the Coif; North Carolina Law Review, Staff



A NEW YORK STATE OF MIND: UNDERSTANDING CHANGING JUROR DYNAMICS IN THE BIG APPLE

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A New York State of Mind: Understanding Changing Juror Dynamics in the Big Apple
Joseph J. Ortego, Michael C. Marsh and Nathan Geary

"All rise! The Supreme Court of the State of New York, New York County, is now in session." Eight jurors look on as the Judge takes her seat. Counsel shuffle their papers, each preparing for their opening statement.

Most civil trials in New York are comprised of eight jurors—six jurors and two alternates. But the make-up of jury pools differs greatly today from even ten years ago. One of the most significant changes to jury pools stems from a broader change that has been taking place in America: the millennial generation—including those born between roughly 1980 and 2000—now makes up a significant portion of the American population. With that, attorneys have had to modify the way they try cases. This paper confronts some of the issues trial lawyers in New York and other states should consider when they present cases to jurors today.

The Rise of the Millennial Generation – and What That Means for Your Jury Pool

As of 2017, the millennial generation is the largest generation in the U.S. labor force, with more than one-in-three American labor force participants classified as millennials.[1]

Millennials are unique. They earned the moniker because they were markedly different than the Generation X and Baby Boomer generations that preceded them.[2] Three of the characteristics that distinguish millennials from prior generations of jurors are (1) that they were raised to appreciate team-building and cooperation; (2) they are the best-educated generation in U.S. history (measured by the percentage with four-year college degrees); and (3) perhaps most importantly, they are "digital natives," meaning they grew up during the age of digital technology and were familiar with computers and the internet from a young age. Technology permeated nearly every aspect of the millennial generation's upbringing.

Trial attorneys must know their audience. Since that audience is now made up of team-oriented, well-educated, technologically-savvy millennials, attorneys should aim to accommodate the learning experience of millennials during trial.

1. The Effect of a Team-Building Environment

Millennials were raised to appreciate team-building and cooperation. More so than parents of past generations, parents of the millennial generation emphasized teamwork and collaboration over individual success. They discouraged competitive

1 Richard Fry, Millennials are the largest generation in the U.S. labor force, Pew Research Center (Apr. 11, 2018), http://www.pewresearch.org/fact-tank/2018/04/11/millennials-largest-generation-us-labor-force/; see also Benjamin P. Zogby, Esq., Getting a Handle on the Changing Faces of Juries in New York and the Nation, John Zogby Strategies.

2 Samantha Sharf, What Is A "Millennial" Anyway? Meet the Man Who Coined The Phrase, Forbes (Aug. 24, 2015 at 10:46 AM), https://www.forbes.com/sites/samanthasharf/2015/08/24/what-is-a-millennial-anyway-meet-the-man-who-coined-the-phrase/#7559246d4a05.

play and encouraged team-oriented projects that they believe helped their children develop patience, kindness, and care for others. That kind of team-building environment has created a generation of young people who use teams and group activities as a way to make social connections that they otherwise lack. The structured activities they participated in as children leads them to the structure of social sports during and after college.

But the "emphasis" in these social sports isn't winning—it's socialization and community.

As a result, millennial jurors tend to respond well to attorneys who present themes of cooperation, respect, and following well-defined rules; not competition and "tough luck." They may look for the result that is the most "fair" for the most people; they'll gravitate toward actors who follow the rules and play well with others. Moreover, during deliberations, millennial jurors are proficient in working as a team to build consensus.[3]

2. Emulating the Educational Experience of Millennials During Trial

Millennials were educated in an interactive learning environment that incorporated the use of a variety of technological aids. And they are used to obtaining information by manipulating technology, such as computers, tablets and smartphones.

A large part of any trial is educating the jury. To effectively educate millennial jurors, trial attorneys should incorporate the use of technological aids during trial presentation. This means more than PowerPoint slides overloaded with text. Millennials expect—and therefore should be provided—high-tech, sophisticated graphics in the courtroom.

Trial preparation should involve researching the technological capabilities of the courtroom. Courtrooms across the country, at both the state and federal levels, have been improved to accommodate the use of various technological tools. Among other things, they are often equipped with flat-screen monitors, multi-screen displays, and ample video and audio signal outputs and inputs. The Administrative Office of the U.S. Courts published a Long Range Plan for Information Technology in the Federal Judiciary for fiscal years 2018 through 2022, which is aimed in part at building and maintaining "robust and flexible technology systems and applications."[4] A budding technology that will likely be used in courtrooms in the future is virtual and augmented reality software programs, which create graphics that appear in three-dimensional, holographic images. This technology will allow accident reconstructionists, for example, to create interactive scenes of a collision.[5]

3. Keeping the Attention of Millennial Jurors

Millennial jurors are often criticized for having a short attention span, which many attribute to the fact millennials are accustomed to finding the answers to questions immediately by means of search engines and smartphones. Whether or not millennials actually have a short attention span, the technology millennials are accustomed to has enabled them to quickly and efficiently access information. They expect the same thing during trial. Any impediment to the quick and efficient access to information might aggravate the modern-day juror.

Attorneys should keep in mind that the long, drawn out nature of the jury trial is a foreign experience for millennials. To maintain the attention and avoid irritating the millennial juror, attorneys should seek out ways to streamline the presentation of evidence and avoid delays: visit the courtroom before trial to become accustomed with the technology and resources; make sure you can competently navigate any technology you choose to use; organize your case to present evidence efficiently and avoid unnecessary duplication; and keep sentences and arguments short and to the point (remember: tweets are capped at 140 characters).

Mitigating Against Issues with the Use of Technology

Technology has also been the root of various issues during jury trials, some of which have led to mistrials and overturned convictions. Some of the more noteworthy instances include when the

3 Jim Rendon, In Social Sports, It's About Camaraderie, Not Competition, N.Y. Times (July 14, 2017), https://www.nytimes.com/2017/07/14/business/smallbusiness/millennials-social-sports-kickball.html.

4 Long Range Plan for Information Technology, United States Courts, available at http://www.uscourts.gov/statistics-reports/publications/long-range-plan-information-technology (last visited May 22, 2018).

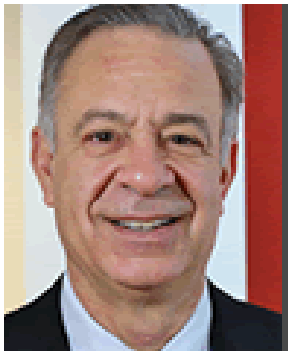
5 Anjelica Cappellino, Technology in the Courtroom: An Evolving Landscape, The Expert Institute (Jan. 3, 2018) https://www.theexpertinstitute.com/evolving-landscape-technology-courtroom/.

Supreme Court of Arkansas overturned a death row inmate's conviction because a juror tweeted during the proceedings, and when a New Jersey appeals court threw out the heroin possession convictions of two men after a juror was accused of searching the defendants' names online and finding information about their criminal records.

Some states, including California, have even taken measures to address the issue of jurors improperly using social media and the internet during trials. In 2011, a California state law was enacted that made the improper electronic or wireless communication by a juror punishable by contempt. More recently, California state officials introduced legislation that would authorize judges to fine jurors up to $1,500 for violating social media and internet use violations.[6]

To mitigate against potential issues with jurors and technology, attorneys should request instructions from judges about the potential repercussions of utilizing the internet and social media during the course of trials.

6 Associated Press, Jurors who tweet and Google cases could face hefty fines, L.A. Times (Apr. 24, 2016 at 11:05 AM), http://www.latimes.com/local/lanow/la-me-ln-jurors-who-tweet-google-cases-could-face-hefty-fines-20160424-story.html.



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Joseph Ortego is Nixon Peabody's chief diversity officer, overseeing the firm's strategy to attract, retain and promote talented people with exceptional ability from a broad range of backgrounds. Joseph also serves as the vice-chair of the firm's litigation department, chair of NP Trial®, an international team of the firm's most successful and experienced trial lawyers and chair of the firm's aviation practice. Representing major private and public corporations and their executives, he has tried over 100 cases to verdict in both federal and state courts throughout the country and has successfully represented clients before arbitration tribunals around the world.

Services
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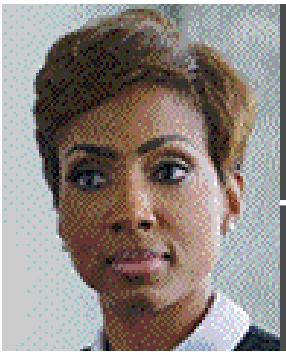
- Environmental Litigation
- NP Second Opinion®
- Food, Beverage & Agribusiness
- Arbitration
- Class Actions & Aggregate Litigation
- Labor & Employment
- Consumer Products
- Financial Services Litigation
- Data Privacy & Cybersecurity
- Financial Services

Recognition
- Joe was selected by his peers for inclusion in The Best Lawyers in America© 2018 in the field of Product Liability Litigation - Defendants. Joe has been listed in Best Lawyers since 2012.
- Joe is also recognized by The Legal 500 United States 2017 editorial in the areas of Dispute resolution - Product liability, mass tort and class action: Toxic tort - Defense, and Industry focus - Transport: aviation and air travel; by Benchmark Litigation as a New York local litigation star; and by Martindale-Hubbell Peer Review Ratings in its highest category, AV Preeminent.
- Additionally, Joe is recognized by New York Metro Super Lawyers, LMG Life Sciences as a "Life Sciences Star" and Who's Who Legal in Life Sciences. In the New York Metro Super Lawyers' 2015 and 2017 edition, Joe was amongst the top 100 lawyers.

Education
- Boston University School of Law, J.D.
- Syracuse University, B.A., with honors



CORPORATE RESPONSES IN THE #METOO ERA

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Sexual Harassment In The Workplace - Preventing Workplace Sexual Harassment and Employer Liability
Malissa Wilson

In the wake of recent sexual misconduct allegations against numerous public figures, the U.S. Equal Employment Opportunity Commission (EEOC) - agency responsible for enforcing federal laws prohibiting workplace harassment - reported a deluge of visits to its sexual harassment website. And the National Women's Law Center - organization that disseminates information about the legal definition of harassment and how to file charges with the EEOC - seen a five-fold increase in the number of calls about sexual harassment. Many expect this increased awareness of improper sexual behavior will lead to a dramatic increase in the number of workplace sexual harassment claims.

Sexual harassment in the workplace can come in many forms and from numerous sources, including supervisors, co- workers and non-employees.[1] Depending on the circumstances, employers may be liable for harassment from any of these sources as well as for favoritism that may occur when employees have consensual sexual relationships with supervisors.

Employers may be able to avoid liability or limit damages on account of sexual harassment occurring in the workplace if they can show they exercised reasonable care to prevent harassing behavior and promptly correct or address any such behavior. Such reasonable care starts with taking the following proactive steps aimed at preventing sexual harassment before it happens.

Maintain an anti-harassment policy.

Employers should develop, publicize, and enforce clearly understood anti-harassment policies and complaint procedures. The EEOC suggests that an anti-harassment policy and complaint procedure should contain, at a minimum, the following elements:

- A clear explanation of prohibited conduct, including concrete examples of such conduct;
- Assurance that employees who make complaints of harassment or provide information related to such complaints will be protected against retaliation;
- A clearly described complaint process that provides accessible avenues of complaint;
- Assurance that the employer will protect the confidentiality of harassment complaints to the extent possible;
- A complaint process that provides a prompt,

1 See, e.g., Clark v. Top Shelf Entertainment, LLC, 2017 WL 971051 (W.D. N.C. 2017): The plaintiff, a stripper, sued her employer for sexual harassment. Even though the plaintiff agreed in writing to "perform clothed and topless," she claimed her manager made her go topless all the time at work, even if no customers were present. The court dismissed the company's motion for summary judgment because, regardless of her status as a stripper, she was still entitled to the harassment-free workplace protections.

thorough, and impartial investigation; and

- Assurance that the employer will take immediate and appropriate corrective action when it determines that harassment has occurred.

Make sure everyone understands the policy.

It is not enough to have an anti-harassment policy tucked in an employee handbook, never discussed and virtually unknown to workers. Employers should supply the policy to all employees and obtain their signatures acknowledging receipt of the policy and promising to comply with it. Employers should also consider posting the policy in office areas frequented by employees, such as employee break rooms. Further, employers should disseminate the policy at least annually to remind employees of its content.

Employers should also give strong consideration to providing annual training sessions to all employees on the anti- harassment policy. Such training should focus on explaining types of behavior prohibited by the policy and on the complaint and investigation process.

Finally, in drafting the anti-harassment policy and in educating employees about the policy, it should be made clear that the policy applies to ALL employees, including supervisors and upper management.

If an employer has developed a clear policy against workplace sexual harassment with effective complaint procedures that is routinely distributed and well-known, that employer has taken the first steps towards protecting itself from liability for such unwanted conduct.

Responding to Complaints of Workplace Sexual Harassment

What good is an anti-harassment policy if there is no mechanism in place to respond to complaints of harassment? While there's no guarantee that a properly done investigation will stave off a lawsuit, a slipshod investigation may expose a company to money damages and reputational harm. The following steps will help to avoid the latter.

Take Action.

Take all complaints of sexual harassment seriously. This is not the time to question the veracity of the complainant or assume the complainant is being overly sensitive. A delayed response could be interpreted as the company ignoring the behavior or even sanctioning it. Conversely, a prompt response sends the message that the company takes complaints of sexual harassment seriously and helps stop the creation of a culture of harassment that results from a fear of speaking out.[2]

The Statement.

Memorialize complaints of sexual harassments in a written statement detailing each act of alleged harassment. The statement needs to follow the Who, What, When, and Where format. Who is the alleged harasser and who witnessed the acts of harassment? What happened? When did the harassment occur? Where did it occur? The statement will serve as the roadmap for the investigation.

The Timeline.

Complaints of harassment should be investigated timely - five business days on the average. At the onset, communicate to the alleged harasser and the complainant the steps to be taken and the timeline for the investigation. Also, they should be informed that the investigation will be confidential. Last, advise them what will be investigated and who will conduct the investigation. The person conducting the investigation should not be connected to the allegations or have close social ties to any party to avoid the appearance of bias.

The Investigation.

Depending on the details of the harassment, an investigation may consist of a few steps or many steps. For instance, a one-time boorish comment or crude joke may only require meeting with the employee who made it and any employees who heard it. Complaints of aggressive and physical acts of harassment require additional considerations. First, it may be necessary to place the alleged

2 See, e.g., Frey v. Coleman, 141 F.Supp.3d 873 (N.D. Ill. 2015): The plaintiff worked for the corporate defendant, and directly underneath the individual defendant, who was her manager. The manager began making harassing comments toward the plaintiff in the scope of employment. The manager invited the plaintiff into his hotel room while on business trips. Additionally, the manager told the plaintiff that "she had a sexy body" and told her that he wanted to have phone sex with her. These events occurred while the plaintiff was pregnant. While on leave, the plaintiff filed a sexual harassment complaint pursuant to the company's policy. The company then confronted the manager, who subsequently laughed off the allegations. No further action was taken against the manager. The plaintiff was granted summary judgment on her sexual harassment claim.

harasser on paid leave or separate the harasser from the complainant before moving forward with the investigation. However, you don't want the separation to be interpreted by the complainant as an adverse act for making the complaint by doing it without the complainant requesting it or moving the complainant to a new assignment that would be deemed a demotion.

The investigation should be well documented. Close the investigation with a written report laying out the findings. The final step of the investigation is to inform the alleged harasser and complainant about the findings.

Mitigation.

The next step after the investigation will be dictated by the findings and the company's anti-harassment policy. The response to a substantiated act of harassment could range from a verbal warning to a written reprimand placed in the employee's personnel file to termination. If the finding is inconclusive or that harassment - as defined by the company's policy - did not occur, the company should continue to monitor the situation. It may also be beneficial to conduct training for all employees on the company's anti-harassment policy and to review the policy to ensure that it is current with the evolving case law.[3]

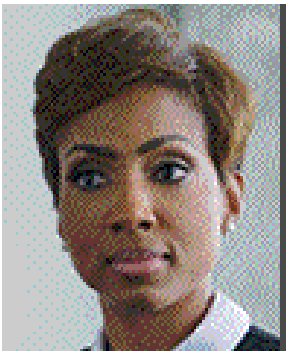
The Aftermath.

Following an investigation into complaints of sexual harassment, no matter the finding, the complainant, alleged harasser and others involved in the investigation may find it challenging to "be normal" and the environment may become ripe for retaliatory acts. The Equal Employment Opportunity Commission's Enforcement Guidance on Vicarious Employer Liability for Unlawful Harassment by Supervisors offers direction on how to protect against retaliation: "should undertake whatever measures are necessary to ensure that retaliation does not occur. For example, when management investigates a complaint of harassment, the official who interviews the parties and witnesses should remind these individuals about the prohibition against retaliation. Management also should scrutinize employment decisions affecting the complainant and witnesses during and after the investigation to ensure that such decisions are not based on retaliatory motives."

Simply stated, sexual harassment in the workplace is unacceptable. A company should take prompt and decisive action to address and correct harassment. Having an anti-harassment policy and an action plan to respond to complaints may not stop harassment from occurring in the workplace, but they will certainly serve to minimize the company's legal exposure.[4]

3 See, e.g., Mikels v. City of Durham, 183 F.3d 323 (4th Cir. 1999): A law enforcement officer within the defendant's police department was subjected to sexual harassment by a fellow officer. The incident involved the male officer leaning over and kissing the female officer. The female officer reported the incident to her superior. The offending officer was privately reprimanded. Additionally, the police department launched an internal investigation with the other four female officers to determine if they had been subjected to similar behavior. The offending male officer was ultimately suspended for two weeks, without pay, transferred to another department, reduced in rank, and required to attend corrective counseling. The female officer subsequently brought a sexual harassment suit against the City. The district court granted summary judgment in favor of the defendant because the response was sufficiently prompt and adequate to relieve it of potential liability. The Fourth Circuit also affirmed the granting of summary judgment.

4 See, e.g.,EEOC v. Management Hospitality of Racine, Inc.,666 F.3d 422 (7th Cir. 2012): An employee sued her employer under Title VII for sexual harassment. The plaintiff received numerous voicemails from her manager, who would repeatedly ask her for sex. Further, in the plaintiff's presence, while at work, the manager would talk with other coworkers about his desire to have sex with the plaintiff. Ultimately, a jury found in favor for the plaintiff, awarding her $4,000 in compensatory damages and $100,000 in punitive damages.



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Before joining FormanWatkins, Malissa worked as a journalist, a public relations practitioner in crisis communications, a defense attorney, a government attorney, and in-house counsel. Malissa's diverse background and vast array of knowledge make her a key asset to the creative, efficient work ethic of FormanWatkins. Though she is not a working journalist covering stories anymore, as an attorney, Malissa offers clients her ability to lay out and present the storyline of their cases clearly and efficiently to a judge or juror as demonstrated by her successful trials in state and federal courts and oral arguments before the state supreme court. With her experience in crisis communications, she offers a calm and honest confidence that clients will find indispensable in the midst of tough litigation. A firm believer in the golden rule, Malissa handles every case how she would want an attorney to handle a case for her, always going the extra mile and never backing down from a challenge. Working in the areas of Labor Employment, Premises Liability, Civil Rights, and Media Law, Malissa never sees the same work day twice, and welcomes each case's unique fact patterns and challenging details. Ultimately, clients can expect a thorough job well done when working with Malissa, and will not find a kinder advocate.

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- Media Law
- Personal Injury
- Premises Liability
- Workers' Compensation

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- Martindale-Hubbell® Preeminent Client Review Rating
- Recognized as Top Ten Mississippi's Leading Attorneys 2017 by the Mississippi Business Journal

Speaking Engagements
- "Legal Issues in Advertising," Mississippi Press Association's Convention
- "How to Handle Complaints of Discrimination," presented to State Attorneys and Human Resources Personnel
- "Constitutional Policing," Houston Police Department training academy

Publications
- "Special Delivery: What To Do When Information Illegally Obtained By Others Lands In Your Newsroom Mailbox," Student Press Law Center Report, Fall 2001
- "Mississippi Statute of Limitations Starts With Publication On Internet," Media Law Resource Center Media Law Letter, January 2004
- "FOIA Gains Sharper Teeth With OPEN Act," The Fourth Estate, Mississippi Press Association, First Quarter 2008

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MONEY FOR NOTHING: DEVELOPMENTS IN FINANCIAL INDUSTRY PATENT LITIGATION

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Navigating Uncharted Waters – Patent Litigation in the Financial Industry: From Stored Value Cards to Blockchain and Cryptocurrency
Eugene Y. Mar

Over the past two decades, the financial industry has seen its fair share of patent litigation. The types of technologies involved in these cases have ranged from prepaid card and chip card to payment encryption and check imaging. In fact, financial industry patent litigation reached a sufficient level of concern that in 2012, when Congress enacted patent reform through the America Invents Act, a special transitional program for Covered Business Methods was created. This program at the U.S. Patent office permitted a petitioner to challenge the validity of any patent that "claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration or management of a financial product or service."[1] This program is set to sunset on September 16, 2020.

This article first seeks to briefly recount the different types of financial industry technological innovations that have been the subject of patent litigation in the past. Then, in the second part, the article looks at the present and the future by summarizing the current patent landscape for block and cryptocurrencies like Bitcoins and what industry players have done to protect themselves from potential patent lawsuits. The information presented in this article should be informative for both outside counsel advising their financial industry clients and for members actually working at financial industry companies to help plan for IP protection and prepare for potential patent litigation in the financial industry.

Financial Industry Patent Litigation over the Past Two Decades

Check Imaging

Perhaps the best known financial industry patent litigation case was the check imaging patent case brought by DataTreasury in the early 2000s. Filing its cases in the Eastern District of Texas, DataTreasury reportedly collected over $350 million in licensing royalties and settlements as a result of its litigation campaign. DataTreasury's patents survived a reexamination at the Patent Office, and DataTreasury also prevailed in 2010 in a jury trial against US Bancorp. Indeed, DataTreasury's activities even caught the attention of then-Senator Jeff Sessions, who in 2007 proposed an amendment to the Patent Reform Act of 2007 that would have immunized the banks from having to pay any royalties for DataTreasury's check scanning patents. Some observers have pointed to DataTreasury's litigation successes as one of the most prominent impetus for patent reform that was eventually enacted through the America Invents Act in 2012. After the patent reform legislation was enacted, DataTreasury's infamous check imaging patents were subjected to a Covered Business Method challenge, and

1 Leahy-Smith America Invents Act of 2012, section 18.

the Patent Office held in 2015 that the two patents were invalid for (i) claiming unpatentable abstract concepts under 35 U.S.C. §101 and (ii) lacking sufficient written description under 35 U.S.C. §112. However, this invalidation only came after nearly 15 years of litigation and hundreds of millions of dollars in licensing and royalty fees.[2]

Check imaging patent litigation continues to be a hot topic for patent litigation. In June 2018, United Services Automobile Association sued Wells Fargo Bank on 4 patents in Texas over this technology. The patents allegedly claim an "alignment guide" that promotes capturing images of physical checks with a smartphone that can be processed by a bank's online systems and a system that guides customers on how to best take a photograph of the checks.

Prepaid Cards

One area that saw some patent litigation about a decade ago was in the processing of prepaid cards. These cases were often brought by non-practicing entities (also known as patent trolls), and financial industry defendants faced the Hobson's choice of paying a low settlement or expending significant fees to defend these suits. To combat these suits, the financial industry defendants tried to persuade the courts to (i) hear early summary judgment motions of invalidity under 35 U.S.C. §101[3] or 102[4] or (ii) stage potentially case-dispositive claim construction issues first in hopes of resolving the matter before significant discovery costs were incurred.[5] While the financial industry defendants were fairly successful in fending off these cases, financial industry defendants increasingly found themselves the target of NPE patent suits.

EMV Chip Cards

With the adoption of chip cards overseas and the gradual introduction of chip cards to replace magnetic stripe cards in the United States, chip card technology unsurprisingly became a focus of patent litigation as well. In SmartMetric Inc. v. Visa Inc. & MasterCard Int'l, SmartMetric sought $13 billion in damages by alleging that Visa and MasterCard infringed by selling credit card systems that involve inserting data cards into a reader to help establish an automatic connection to a network. The payment card companies were able to defeat this claim on summary judgment after successfully arguing that their products did not use a "local access number" to determine the location of the transaction and network service providers.[6] In another case involving security measures to prevent security breaches and card cloning on chip cards, Dutch-based Gemalto S.A. asserted that CPI Card Group Inc. infringed Gemalto's patent describing these security measures.[7] In an attempt to halt the district court litigation, CPI filed an inter partes review petition with the Patent Office challenging the validity of Gemalto's patent. This popular tactic has been used in most patent lawsuits since the passage of the America Invents Act in 2012, but in this case, the Patent Office denied CPI's petition in 2016. The parties announced a settlement of the litigation at the end of 2017.

Payment System Encryption

Consistent with the growing focus on Internet and data security, payment system security and encryption have been the subject of multiple patent lawsuits over the past decade. The Gemalto v. CPI Card Group litigation described above also fits in this category. In addition to the Gemalto case, other payment encryption patent cases included Cryptography Research Inc. v. Visa Int'l Servs. Ass'n, No. C04-04143 JW (N.D. Cal.) (involving technology for securing the microprocessor in "smartcards" against fraudulent external monitoring); PrivaSys v. Visa Int'l Servs. Ass'n, JP Morgan Chase & Co., & Wells Fargo Bank, NA, No. 3-07-03257 (N.D. Cal.) (lawsuit pertaining to technology for securing payment transactions using payment cards); and PrivaSys, Inc. v. American Express Co., No. 3-08-01072 (N.D. Cal.) (same).

2 Another non-practicing entity known as Content Extraction and Transmission LLC also claimed to have invented ATM image scanning technology targeted at recognizing the amount written on a check. Content Extraction filed suit in 2013 against Wells Fargo, Diebold Inc., and PNC Bank, but its patent was invalidated under 35 U.S.C. §101 for claiming unpatentable abstract ideas.

3 See, e.g., Every Penny Counts v. Bank of America Corp., No. 2-07-cv-00042 (M.D. Fla.) (concerning Bank of America's Keep the Change program).

4 See, e.g., Restricted Spending Solutions LLC v. Allow Card of America, Inc., Commerce Bancshares, Inc., Discover Bank, Discover Financial Servs., Fifth Third Bancorp, Palm Desert Investments, UMB Financial Corp., US Bancorp, Visa USA Inc., Wachovia Corp., Bank of America Corp., CardLab Inc., MasterCard Int'l., and PNC Financial Servs. Group, Inc., No. 1-09-cv-3785 (N.D. Ill.).

5 Every Penny Counts, Inc. v. American Express Co., Green Dot Corp., MasterCard Int'l., and Visa U.S.A. Inc., No. 8-07-cv-01255 (M.D. Fla.) & Every Penny Counts, Inc. v. First Data Corp., InComm Holdings, Inc., Valutec Card Solutions, Inc., & Comdata Corp., No. 8-07-cv-01254 (M.D. Fla.).

6 SmartMetric, Inc. v. Visa Inc. and MasterCard Int'l, No. 2-11-cv-07126 (C.D. Cal.), aff'd No. 14-1037 (Fed. Cir.).

7 Gemalto, S.A. v. CPI Card Group, Inc., No. 1-16-cv-01006 (D. Colo.).

The financial industry took notice when one of the country's largest patent aggregators, Intellectual Ventures[8] filed a series of patent lawsuits against some of the nation's largest banks beginning in 2013, including Commerce Bancshares, Capital One Financial Corp., Bank of America Corp., BBVA Compass Bancshares, Fifth Third Bancorp, JPMorgan Chase & Co., PNC Financial Services Group and First National Bank of Omaha. In some cases, the asserted patents allegedly covered security infrastructure for electronic transactions and imaging technology used in ATMs. In other cases, Intellectual Ventures alleged that the banks' encryption of data contained on their websites and within their systems and services—all designed to comply with the industry's PCI data security standards—infringed two patents. Intellectual Ventures had purchased all of these asserted patents from different companies—two from an encryption company called Entegrity Solutions Corp., the imaging patent from Eastman Kodak Co., and the patent on firewall intrusion from BellSouth. A variety of defenses were employed by the banks on these cases, including the filing of multiple IPRs and CBM petitions before the U.S. Patent Office and motions for summary judgment finding the asserted patents to be invalid for claiming unpatentable abstract ideas under 35 U.S.C. § 101. The most interesting counterclaim was asserted by Capital One, who filed multiple antitrust claims against Intellectual Ventures, alleging that IV's acquisition and enforcement of large volumes of patents relating to banking services amounted to an antitrust violation. In 2017, a Maryland district court found in favor of Intellectual Ventures on the antitrust claim, concluding that IV's activities were protected under the Noerr-Pennington doctrine.[9] In addition, in 2014, a Virginia district court had dismissed a similar antitrust counterclaim from Capital One against IV for failing to state a legally cognizable "relevant market" for antitrust purposes.[10]

Payment Authentication System and Security

Several patent holders also filed suits over the past decade asserting that payment processing systems that underlie the authentication of payment card and online transactions infringe their patents. For example, a non-practicing entity named Purple Leaf LLC filed a series of patent suits against eBay, Amazon, Google, SAP America, and Zuora, asserting that these companies offered online payment platforms that infringed the payment authentication system described in Purple Leaf's patent.[11] These companies, in turn, challenged several of Purple Leaf's patents through inter partes reviews and covered business method petitions at the Patent Office. While at least one of these petitions successfully invalidated one of Purple Leaf's patents, it appears at least several other companies ultimately settled with Purple Leaf to end the disputes as Purple Leaf continued to prosecute and receive new patents.

The advent of mobile payment has also attracted a patent lawsuit. In 2017, Universal Secure Registry filed a patent case in District of Delaware against Apple Inc. and Visa Inc., alleging that the use of Visa payment cards through Apple Pay on iPhones violated Universal Secure Registry's patents. In particular, Universal Secure Registry stated that its patented technology eliminated the need to store or transmit payment-card account numbers—a feature that allegedly is used by Apple Pay. Apple has responded by filing 7 IPR (inter partes review) petitions and 5 covered business method petitions, challenging these patents. The litigation remains pending.

The Next Trend in Financial Technology – A Brief Introduction to Bitcoin, Blockchain and Cryptocurrency

As the last two decades have shown, any time there is new technological innovation in the financial industry, patent litigation seems to follow. So what is the next trend in financial technology? One answer lies in virtual currency. Over the last few years, there has been a lot of attention paid to Bitcoin, cryptocurrency, and blockchain technology in general.

At the highest level, Bitcoin is new digital currency created in 2009 by an unknown person or group

8 According to its website, Intellectual Ventures claims to own more than 30,000 patents in "active monetization programs that span 50 technology areas…and rising." (available at http://www.intellectualventures.com/inventions-patents/patent-portfolio/) (last accessed May 20, 2018)

9 Intellectual Ventures I LLC v. Capital One Financial Corp., No. 8:14-cv-00111-PWG (D. Md.), Dkt. 686.

10 Intellectual Ventures I & II LLC v. Capital One Financial Corp., No. 1-13-cv-00740 (E.D. Va.), Dkt. 656.

11 Nos. 6-11-cv-00355, -00360, & -00377 (E.D. Tex.), No. 4-11-cv-04601 (N.D. Cal.), & Nos. 3-13-cv-00299 & 3-13-cv-04776 (N.D. Cal.).

using the alias Satoshi Nakamoto. Bitcoin can be used to purchase merchandise with no banks involved and no government regulations. Payments are completely anonymous, and bitcoin are stored in digital wallets in the cloud or on a user's computer. New bitcoins are generated by "mines," i.e., computers that solve complex math problems. The first computer to solve a complex math problem is rewarded with bitcoins. Currently, 12.5 bitcoins are awarded every 10 minutes.

Blockchain refers to the Internet "fabric" that underlies Bitcoin. Think of blockchain as a database that is copied and stored on millions of users' computers. There is no single server, user, bank, or institution that controls or manages the data. The whole idea is for the database to be distributed. Each time a transaction is conducted, a new block of data is created and added to the existing blockchain. Information held in the blockchain is stored and reconciled on the databases distributed on all the computers.

Cryptocurrency is a medium of exchange, created and stored in a blockchain.[12] The medium is encrypted to control the creation of the monetary units and to verify each transaction. Bitcoin is the best known example of cryptocurrency. Other examples include Ethereum, Ripple, and Litecoin.

What Does the Patent Landscape Look Like for Companies Operating in the Bitcoin, Blockchain, and Crytocurrency Spaces?

Bitcoin and the rise of cryptocurrency over the past few years have been fueled by a culture of free and open source innovation. Take, for instance, the blog post comments of James Murdock, VP of corporate development and general counsel at Blockstream: "Core to the Bitcoin ethos is permissionless innovation … We firmly believe that in order for Bitcoin and related technologies' potential to be fully realized they must be underpinned by a global platform that is free for any innovator to use without hesitation."[13]

Despite this culture, at least one source has reported that the number of Bitcoin and blockchain-related patents has grown exponentially, from six patents in 2012 to 472 patents in 2017.[14] According to Patexia, the top assignees of patents in 2012-17 mentioning the word "Bitcoin" run the gamut from established technology companies like IBM and traditional financial powerhouse Bank of America to mobile gaming entities such as Game Play Network and patent aggregator Intellectual Ventures.[15] Similarly, the top assignees of patents in 2012-17 mentioning the word "blockchain" include Bank of America, MasterCard, Fidelity Management and Research, and a Luxembourg-based holding company called 402 Technologies SA.[16] Indeed, an Australian computer science professor named Craig Wright, who claims to be the Satoshi Nakamoto who authored the first published paper on Bitcoin, has filed for 73 patent applications related to blockchain in the United Kingdom with an entity named EITC Holdings Ltd.[17]

For many financial industry-leading companies, the mere mention of Intellectual Ventures and patent-holding companies represent an all-too-recent reminder of the financial industry patent litigation that has occurred over the past decade (as described above). Another name that is sure to catch some attention is Erich Spangenberg, the founder of the well-known non-practicing entity IPNav and subject of a 2013 New York Times article entitled "Has Patent, Will Sue: An Alert to Corporate America".[18] Spangenberg has created a new company called IPwe that is trying to create a blockchain-based registry of the issued patents around the world, and then apply machine-learning algorithms to the information on the registry to better assess patent validity and worth. The idea, according to Spangenberg, is to improve the quality of information available for patent arbitrage. This concept will prove to highly controversial, not only because of the person behind this effort, but also because the notion of patent arbitrage has become inextricably linked to the flow of patents to non-practicing entities that has led to the proliferation of patent litigation over the past two decades.

12 https://blockgeeks.com/guides/what-is-cryptocurrency/

13 https://blockstream.com/2016/07/19/blockstream-defensive-patent-strategy.html (last accessed May 19, 2018)

14 https://www.patexia.com/feed/patexia-chart-46-top-players-in-bitcoin-and-blockchain-ip-20180116 (last accessed May 19, 2018)

15 Id.

16 Id.

17 https://www.reuters.com/investigates/special-report/bitcoin-wright-patents/

18 https://www.nytimes.com/2013/07/14/business/has-patent-will-sue-an-alert-to-corporate-america.html (last accessed May 19, 2018).

Shot across the Bitcoin bow

One of the more recent patent dramas that unfolded in the Bitcoin universe concerned a patent that described a bitcoin mining method known as AsicBoost. At a high level, AsicBoost is an optimization of the Bitcoin mining algorithm that can be implemented on any application specific integrated circuit (ASIC) microchip. AsicBoost offered the possibility of improving Bitcoin mining efficiency by up to 20%. AsicBoost is the subject of a pending patent application (PCT/US2014/066470; issued as EP3095044) held by Timo Hanke, former CTO of CoinTerra, and RSK founder Serio Lerner, with a worldwide priority date of 2013. In 2017, an open letter from Getech Law demanded that all infringing companies cease and desist their bitcoin mining operations.[19] Many viewed this open letter as a direct threat against Chinese data mining company Bitmain, especially after it was shortly revealed after the open letter that Bitmain was using the AsicBoost methodology in its ASIC chips.[20] The threat posed by this patent assertion was that whoever held the AsicBoost patent had a potential monopoly on the fastest known method for mining bitcoins—an advantage that some estimated could amount to as much as $100 million per year. The Bitcoin community was so alarmed by the AsicBoost patent assertion that there were calls for changes to the Bitcoin protocol so that the efficiencies created by the AsicBoost algorithmic optimization would be nullified. At the end of 2017, the AsicBoost patent family was sold to a company called Little Dragon Technology LLC, further raising concerns about the intentions of this previously unknown company. In March 2018, this controversy finally quieted when Little Dragon Technology announced on Twitter that the AsicBoost patent family would be available through the Blockchain Defensive Patent License (more on this below).[21]

However, just as the AsicBoost patent drama came to a close, a second one sprouted forth in China. Bitmain, freed from the AsicBoost patent assertion, holds a Chinese patent with a 2015 priority date that describes a technology for providing higher efficiency for cryptocurrency mining chips, thus reducing electrical consumption and cost. Bitmain has asserted this Chinese patent against newly formed competitor Bitewei, founded in 2016 by Bitmain's former director of design. Bitewei is challenging the validity of Bitmain's patents in the SIPO (Chinese patent office), asserting that Bitmain's technology has long been known and used in public prior to 2015. This competitor-to-competitor dispute has gripped the Bitcoin community's attention, and once again, galvanized for calls from within the industry for companies to pool their patent asserts for defensive purposes rather than offensive litigation.

So how do companies in the Bitcoin, blockchain and cryptocurrency ecosystems protect themselves as the patent thicket grows?

As the Bitcoin, blockchain, and cryptocurrency fields grow, companies have taken a number of approaches previously adopted in software and IoT (Internet of Things) fields to protect themselves. Some companies have adopted the arms-race approach. Start-ups such as Coinbase, Blockstream, and BitGo have all applied for patents in this space. As Brian Armstrong, the CEO of Coinbase has explained: "I'd personally prefer to see a world where software patents don't exist (I think they hurt innovation, and waste a lot of time/money), but since they do exist, we have to take them seriously. Patents in business are a form of warfare, and it's a dangerous world out there. Our ultimate goal in obtaining bitcoin related patents is to keep them out of the hands of bad people, use them defensively to protect Coinbase from patent trolls, and help ensure the bitcoin ecosystem continues to grow." Although Coinbase argued that its patent strategy was focused on keeping patents out of the hands of patent trolls, the traditional rationale behind actively applying for patents rested on the notion that an arms-race deterred competitors from filing patent infringement suits against each other as a way of gaining an edge in the market. Accumulating patents for defensive purposes does not deter suits from patent trolls or non-practicing entities (NPEs) because, by definition, the NPEs do not have any products that could be the subject of any defensive counterclaims. Thus, the arms-race approach can be an effective deterrent to a competitor-to-competitor suit, but it does not effectively prevent suits from NPEs.

19 https://www.scribd.com/document/348648803/AN-OPEN-LETTER-ON-THE-LEGAL-RIGHTS-OF-THE-ASICBOOST-PATENT

20 https://bitcoinmagazine.com/articles/breaking-down-bitcoins-asicboost-scandal/

21 https://www.asicboost.com/blog/

A less-publicized benefit that arises from companies filing for patents on an annual basis on any new technologies or even improvements to existing technologies is that the patent filings establish a priority date for the advent of these newly developed technologies. Even if many of these patent applications are rejected or get abandoned, the applications become part of the public record with an established date (the filing date of the application). These abandoned or rejected applications could become valuable pieces of prior art to defend against a future patent lawsuit, or serve as a prior art reference for an inter partes review (IPR) or covered business method petition challenging the validity of a later-issued patent before the U.S. Patent Office. Thus, consistent, annual patent application filings, regardless of whether they lead to the issuance of actual patents, can actually improve the quality of the patents in the field and the quality of the public disclosure on when newly emerged technologies were first developed.

Some blockchain start-ups like Coinbase and Blockstream have also reinforced their previously stated position that accumulating patents is strictly for defensive purposes by signing The Patent Pledge. Headlined by companies like Airbnb and Dropbox, companies who signed The Patent Pledge promise not to first assert a software patent against any company with less than 25 employees.[22] However, such promises are not legally binding and do not attach to the patents, thus, if any of these entities sold their patents to another company who did not sign The Patent Pledge, the promise becomes moot. Another initiative adopted by companies like Twitter and Blockstream called the Innovators Patent Agreement seeks to remedy this deficiency in The Patent Pledge by requiring an assignee and the employee/inventor agree that any issued patent would only be used for defensive purposes and could not be asserted in any offensive litigation without the inventor's permission.[23] Should the assignee/employer violate the Innovators Patent Agreement and assert a patent in an offensive campaign, the inventor retains the right to separately license the patent to anyone he/she wishes. The inventor's separate right to license would explicitly follow the patent, thus ensuring that the Innovators Patent Agreement could still be enforced even if the patent is sold or sublicensed to another company.

A third approach started by companies like Google is known as License on Transfer (LOT) network. The idea behind LOT is that all members of the network would automatically receive a license to another member's patent if the member decides to sell or transfer a patent to a patent assertion entity (defined as a patent holder that generates more than 50% of its gross revenue from patent assertion).[24] For this benefit, LOT charges a fairly small annual fee based on each member's annual revenue.[25] Chain Inc. is among the blockchain start-ups that have joined LOT. Yet another approach is known as the Defensive Patent License (DPL) that was started by several law professors. The companies or individuals that join DPL agree not to assert any patents against any other user of DPL except in defensive situations.[26] All user receive a royalty-free license to the patents of any other user of DPL. All users agree to put all of his patents under the DPL. If any of the user's patents are sold, the seller must require the new buyer to abide by the terms of the DPL. If a user leaves the DPL, all the remaining users retain their royalty-free licenses to the departing user's patents, and the departing user's previously royalty-free license will be converted to fair, reasonable, and non-discriminatory terms at the discretion of the licensors. Blockstream is one of the blockchain start-ups known to be a DPL user.

Recognizing that NPEs often obtain their patents from failing operating companies, the blockchain community has also recently launched the Blockchain Defense Patent License (BDPL), aimed to shore up perceived deficiencies in the DPL. The BDPL aims to have data miners enter into a defensive patent license whereby all the users of BDPL can have a royalty free license to each user's patents. The BDPL also prevents its users from receiving any exclusive patent rights if they have not been extended to the other users of BDPL, penalizes users who assert their patents against other BDPL users, and authorizes one user to recover its attorneys' fees from another non-compliant user. One of the great benefits of BDPL

22 http://www.thepatentpledge.org/

23 https://github.com/twitter/innovators-patent-agreement

24 https://lotnet.com/wp-content/uploads/2018/04/Introduction-to-LOT-2.0_4_18.pdf

25 Id.

26 https://defensivepatentlicense.org/faq

is that it encourages the entire industry to make their patents available to each other for use, especially when "essential" patents like the AsicBoost patent are made available through BDPL. If a data mining operator wants to be competitive, the operator has to join BDPL to obtain a royalty-free license to use the AsicBoost patent, and in turn, the operator has to make all of its own patents available to the other users. However, the owners of "essential" patents will still need to enforce their patents against free-loaders, i.e., companies like Bitmain who use the AsicBoost patented technology without joining BDPL because they want to keep their own patents. If users of BDPL (or any other defensive patent license) do not enforce their patents against free-loaders, then there is little incentive for a company to join this defensive patent license and no penalty for free loading.

Will There Be Bitcoin or Blockchain Patent Litigation?

Despite the industry's best efforts, almost inevitably there will be patent litigation in this space, just like the previous innovations in financial technology and software. Bitcoin and blockchain-related patents are being assigned on a regular basis to patent holding companies like Intellectual Ventures, Erick Spangenberg's IPwe, and countless other generically named entities. Where there is money, patent troll lawsuits will follow. In addition, competitor suits remain a viable threat. As evidenced by the dispute between Bitmain and Bitewei and the AsicBoost patent events, there will always be companies who do not want to participate in a defensive patent license and prefer to use their patents to gain competitive advantages. Employee departures leading to the creation of new competitors is another area that frequently culminates in patent disputes.

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Eugene Mar represents companies in intellectual property litigation and advises start-ups and emerging companies on strategies for building and diversifying intellectual property protection and counsels them on licensing, assignments and best practices.

His litigation practice focuses on litigation for technology companies. He has represented clients in all aspects of intellectual property litigation, including Markman hearings, jury trial, and on appeals before the Federal Circuit. His cases have involved a wide range of technologies including computer software, computer server and hardware, web browser architecture, topological data analysis, mobile device operating systems, microprocessor architecture, drug-eluting stents, protein synthesis, capillary electrophoresis, data encryption and decryption, payment card security technology and signal abstraction.

Clients value Mr. Mar for his legal knowledge and strategic thinking in finding the most cost-efficient solution to an early adjudication on the merits of a case, or when necessary, shaping difficult and complex technology cases for trial. He has succeeded in obtaining complete judgments in favor of his clients, including the entry of judgment in favor of the defendant post-Markman in a patent case in the Eastern District of Texas and in a separate, 5-patent case post Markman in Florida. In both cases, judgment was entered without the need for summary judgment. He has also represented a leading provider of computer database software and storage in obtaining summary judgment of non-infringement and also represented a global payments technology company in obtaining an early summary judgment of invalidity before the close of discovery.

Mr. Mar enjoys advising emerging companies on cost-effective intellectual property protection strategies. His approach focuses on shaping the intellectual property strategy around the client's core technology and how that distinguishes a client in the marketplace. Mr. Mar also emphasizes a diversified approach to building intellectual property assets so that his clients can build a strong portfolio. He regularly teaches best practices on how to protect IP and has also assisted emerging companies with drafting and negotiating non-disclosure, assignment and license agreements. Mr. Mar has also advised clients in the areas of cloud-based software usage agreements and licenses and conducted due diligence for companies looking to build IP portfolios by acquiring patents.

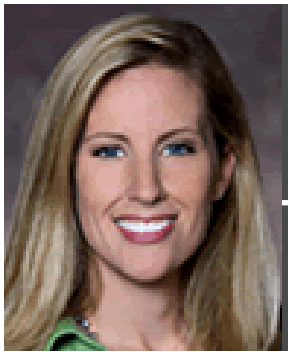
He has been named to Benchmark Litigation's 2017 Under 40 Hotlist and The Recorder's inaugural list of 50 "Fast Track" lawyers in California in 2012.

Related Practices

- Intellectual Property Litigation
- Internet Law
- Patent Litigation

Education

- Harvard Law School (J.D., 2003), Article Editor, Harvard Journal of Law and Technology
- University of California, Berkeley (B.A., 2000), Graduated with Distinction in General Scholarship



CHECKS AND BALANCES IN THE WORKPLACE

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Executives Gone Rogue: Consequences and Preventative Measures for Boards and Business Owners
K. Nichole Nesbitt and Emmit Kellar

Consider the following hypothetical scenario:

> Primary Corp. is a successful international chemical distribution company based in California. Hoping to capitalize on lucrative niche markets, Primary Corp. purchases several small U.S.-based chemical distribution companies on the east coast. Most of these companies have less than 100 employees. Primary Corp. decides allows the new subsidiaries to keep their current management structure. Current management-level employees are asked to sign standardized contracts governing the terms of employment and granting oversight to Primary Corp.'s Board of Directors.
>
> One of Primary Corp.'s new acquisitions, Secondary, Inc., is a small company in upstate New York. Secondary employs approximately 30 employees and is run by a lone CEO: Mr. Founder. Secondary has no independent Board Directors or shareholders. Mr. Founder has been with Secondary for the entire life of the company. The only operative goal given to Mr. Founder was to keep Secondary profitable. Mr. Founder is left in charge of the accounting responsibilities, record maintenance, and essentially all aspects of the business without day-to-day oversight by Primary's Board of Directors. Only semi-annual reporting to Primary's Board of Directors is required.
>
> As far as Primary knows, things run smoothly at Secondary for a number of years. But in year four, the annual audit reveals surprisingly poor performance. Discrepencies in the audit force Primary to take a further look into Secondary's books to determine what has gone awry.
>
> Upon closer inspection, it appears that Mr. Founder has been cooking the books for years, subtly taking small amounts of money for himself by approving illegitimate expenses and falsifying invoices. In the recent year, he has hired lower cost workers who have been racking up accidents on an almost weekly basis. Primary immediately fires Mr. Founder, but it's too late. Lawsuits come flooding, and the shareholders at Primary are demanding answers.

Runaway officers like Mr. Founder are the stuff of stakeholders' nightmares. Not only can an ineffective or rogue executive officer affect the performance and bottom line of a company, they can also open up unforeseen avenues of liability. Public shareholders, former employees, and other parties may suddenly hold claims that directors or owners of a company may not have foreseen.

Using the Primary Corp. scenario as a backdrop, this paper seeks to explore the effect that sole executive officers play in companies and how to prevent the actions of a sole executive from from bringing the enterprise to its knees.

The Unitary Executive - Appointment and Responsibilities

To avoid the Primary Corp. debacle requires an understanding of how officers earn their power and what duties come with their job. In larger corporations, the company's board of directors is responsible for appointing executive officers to act at the board's direction.[1] Smaller companies often follow the same model, in which the owner appoints an executive director in order to focus on other issues like business generation. While the board or owners dictate the strategy and direction of the company, the officers of the company ensure that the strategy and direction are implemented via the company's daily operations.[2] The board technically retains oversight responsibility for executive officers and may, among other things, dictate compensation, dole out responsibilities, and monitor their performance.[3] Theoretically, officers are beholden to the best interests of the company.[4]

By law, executive officers have certain obligations to a company. While different states may define the scope of those obligations differently, Delaware continues to set the model. Delaware law treats executive officers as agents of the corporation who owe the company the standard duties dictated by agency law.[5] Thus, stricter scrutiny is warranted for an officer's conduct than to that of a board member, who is considered to be a fiduciary and not an agent.[6]

The Model Business Corporation Act requires that officers act with loyalty and obedience "consistent with the principles of agency."[7] Moreover, courts treat officers differently from directors when applying duties and protections, intimating that officers are held to the higher standards of agency law.[8]

The Restatement Third on Agency Law states that an agent owes a fiduciary duty to the principle "to act loyally for the principal's benefit in all matters within the agency relationship."[9] The Restatement further breaks this down into two main duties: (1) the duty to remain loyal to the principal; and (2) the duty to perform on behalf of the principal. The duty of loyalty prohibits an agent from retaining material benefits arising from the agent's position, acting on behalf of adverse parties of the principal, competing with the principal, and utilizing the principal's property or confidential information for the agent or some third party's benefit.[10] On the other hand, the duty to perform is more expansive. This duty requires care, competence, and diligence by an agent, not just avoiding conduct that is likely to damage the principle's enterprise.[11] The Restatement also recognizes that a principal may assign specific parameters or requirements of an agent and require adherence to those standards under the Duty of Performance.[12]

The duty of performance requires an agent to perform proper accounting of the principal's property[13] and also requires the agent to adhere to the "express or implied terms of any contract between the agent and principal."[14] This reflects the common recognition that the corporation can customize the executive officer's duties by contractual provision.[15,16]

In light of these concepts, Primary has the opportunity, given Mr. Founder's embezzlement and mismanagement, to sue Mr. Founder (or join him in the lawsuit Primary is facing) for violating his fiduciary duty of loyalty to both Primary Corp. as an owner and to Secondary as its CEO. Mr. Founder's negligent hiring and failure to remain active in Secondary's management are textbook examples of violations of his fiduciary duty to perform in the best interests of Secondary.

1 Lyman P.Q. Johnson & David Millon, Recalling Why Corporate Officers Are Fiduciaries, 46 Wm. & Mary L. Rev. 1597, 1607 (Mar. 2005).

2 Id. at 1600.

3 Id. at 1607.

4 Id.

5 Aaron D. Jones, Corporate Officer Wrongdoing and the Fiduciary Duties of Corporate Officers Under Delaware Law, 44 Am. Bus. L. J. 475, 480 (2007).

6 Id.

7 Kevin G. Hroblak & Cara C. Murray, The Missing Piece of Accountability: Agency Liability for Corporate Officers, 31 Am. Bankr. Inst. J. 54, 75-76 (Feb. 2012).

8 Id.

9 Restatement (Third) of Agency § 8.01 (2006).

10 Id. at §§8.02-8.05.

11 Id. at §§8.08 & 8.10.

12 Id. at §8.09.

13 Id. at §8.12.

14 Id. at §8.07.

15 See Jones supra n.5 at 484.

16 Id. That said, Delaware law (and that of other jurisdictions) is unclear concerning whether the standard fiduciary duties owed (loyalty, due care, and good faith) may be altered via contract.

Corporate Liability - Who is Responsible for Officer Misbehavior?

When an officer breaches those agency-imposed duties and causes a harm to a third party – like a customer – exposure exists in various forms.

1. Personal Liability of the Executive Officer Individually

Personal liability of executive officers themselves to third parties is a splintered issue depending on the actions and involvement of the officer. Under agency law, the theory of respondeat superior protects officers for actions of the company performed in the scope of their duties and with apparent authority of the company.[17] However, an officer's liability for torts, whether or not committed within the scope of the officer's duties, is a more complicated question.

Generally, officers may remain personally liable to third parties for torts committed while acting in the scope of their employment.[18] However, this personal liability is not imposed merely because of their role with the company; it is imposed because of their participation in the tortious behavior and the duties owed to the company and third parties.[19]

The issue of participation is gauged on a sliding scale. For instance, in New Jersey, intentional torts, even when committed on behalf of the company, will always result in personal liability for an executive officer.[20] This includes severe business torts such as conversion or fraud.[21] The policy reasoning behind this is that officers and directors alike should be discouraged from participating in any behavior that requires knowledge of a wrongdoing.[22]

Beyond intentional torts, the line of liability for officers becomes blurrier. "Participation theory" dictates that an officer can be personally liable for any tort that he "sanctions, directs or actively participates in."[23] This can take many forms, ranging from direct participation (i.e., driving a company car negligently) to passive management (i.e., failing to take action to ensure company premises are safe).[24] This creates a steep and slippery slope for executives. The issue of foreseeability is substantial in determining the extent to which personal liability is imposed in these situations.[25] Ultimately this determination is rooted in whether evidence exists that the officer was directly involved in or could have affected the decisions that led to the injury.[26]

Personal liability on the part of corporate officers may also arise from breaches of contract or duty – to both the corporation and third parties. But a breach of duty to the corporation alone does not automatically trigger liability to third parties for such a breach.[27] Courts will inquire whether the damage was purely economic or physical and whether the company or officer owed a special duty to the third party.[28] In that vein, corporate officers may also be held liable in the same way as directors where their misdeeds allow a plaintiff to pierce the corporate veil.[29]

2. Liability of Directors/Owners/Shareholders for the Actions of Executive Officers

Owners and boards of directors for most companies typically enjoy some protection when it comes to a rogue officer's improper actions. The Business Judgment Rule operates as a presumption that owners or directors act on an informed basis, in good faith, and with the honest belief that their decisions are made in the best interest of the company.[30] But the business judgment rule applies only to business decisions that are under attack by shareholders.[31] It will not protect directors in instances where they have either neglected their fiduciary duties or behaved negligently.[32]

Because they are responsible for appointing the executive officers of the company, the issue of

17 3A Fletcher Cyc. Crop. §1137.

18 Martin Petrin, The Curious Case of Directors' and Officers' Liability for Supervision and Management: Exploring the Intersection of Corporate and Tort Law, 59 Am. U. L. Rev. 1661, 1667 (Aug. 2010)

19 Id. at 1667.

20 Stuart L. Pachman, Does the Corporate Shield Protect the Corporate Officers from Personal Liability? Yes, No and Maybe, 216 N.J. Law 16, 17 (Aug. 2002)

21 Id.

22 *Id.*

23 See Petrin, supra n.18 at 1668.

24 See Pachman, supra n.20 at 17-18.

25 Id. at 18.

26 Id.

27 See Petrin, supra n.18 at 1670.

28 Id.

29 Id.

30 H. Lowell Brown, The Corporate Director's Compliance Oversight Responsibility in the Post CineMark Era, 26 Del. J. Corp. L. 1, 11-12 (2001)

31 Id.

32 Id.

whether a board member or owner may be held liable for the actions of an executive officer is a complicated one. For instance, in In re Caremark Intern. Inc. Derivative Litigation, a seminal Delaware BJR decision, the Court found that a director could be held liable for an officer's malfeasance where the director had not exercised "good faith judgement that the corporation's information and reporting system is in concept and design adequate to assure the board that the appropriate information will come to its attention in a timely manner."[33] In doing so, the Court essentially shifted the burden to the director to show that appropriate reporting mechanisms were in place to alert them of misdeeds by their officers.[34]

Because this alters the burden of the business judgment rule, jurisdictions are divided on what must be shown to hold directors or owners liable for negligent supervision, failure to monitor, or faulty hiring. The majority of jurisdictions hold that a director or owner bears a general duty to maintain a sufficient system of supervision and control of the company affairs, but does not face liability for negligent acts of company employees if such controls are in place.[35] Some courts, however, refuse to impute any liability for negligent supervision and management.[36]

The law is much clearer about a director or owner's liability when their company employees violate statutory law. The "responsible corporate officer" doctrine imposes personal liability on directors or owners for certain violations of the law by an officer based upon their corporate status and regardless of their participation or knowledge of the wrongful act.[37] Carveouts in new statutes have extended personal liability of owners and directors beyond criminal violations and into other areas of law such as environmental and employment law.[38] Statutes imposing automatic liability for company directors have created an awkward conflict where a director can act rationally enough to afford the protections of the business judgment rule, but is still liable nonetheless because of the actions of his employees violate statutory law.[39]

Preventing Officer Misbehavior

Given the liability exposure that exists for the company at the board level, a company must take precautions to prevent executive misbehavior. While these methods of control may take a number of forms, it is important to understand the risks and benefits associated with each strategy.

In just about any conflict with a corporate executive, the executive's employment contract acts as a baseline for determining what was required of the executive. Therefore, carefully written executive employment agreements not only offer more control, but also can clear up any ambiguities around the scope of the executive's employment. Agreements that clearly state the operational goals of the company and the requirements of the executive will help boards or owners enforce the company's goals.[40] Ensuring officer accountability includes putting them on notice of how they will be evaluated and how their performance will be measured.[41] Moreover, well publicized corporate directives can serve a dual role as potential evidence of an executive's notice of his duties should litigation arise.

In the category of contractual control, one of the most effective mechanisms is the implementation incentivized compensation. Effective compensation of executives should reflect not only the achievements of a company but also hold executives accountable in the event for misdeeds as well.[42] This requires constant assessment and reassessment of the executive's yearly goals to ensure executives are being challenged.[43] Additionally, those compensating an officer should be cognizant of the executive's peers in the industry and insure they are being paid equivalently for equivalent performance.[44] Incorporating liquidated damages into an employment clause is another effective way

33 In re Caremark Intern. Inc. Derivative Litigation, 698 A. 2d. 959, 970 (Del. Ch. Ct. 1996).

34 See Brown supra n.30 at 29.

35 See Petrin, supra n.18 at 1677-78.

36 Id. at 1681.

37 Id.

38 F. Hodge O'Neal & Robert B. Thompson, Personal Liability for Tortious or Other Wrongful Actions Taken in the Corporate Name, 2 Close Corp. and LLCs: Law and Practice § 8:22 (Jul 2017 Rev. 3d. ed.)

39 Id.

40 Jeremy C. Vanderloo, Encouraging Corporate Governance for the Closely Held Business, 24 Miss. C. L. Rev. 39, 47 (2004).

41 Mark Van Clieaf, Are Boards and CEOs Accountable for the Right Level of Work, Ivy Business Journal, (May 2004) https://iveybusinessjournal.com/publication/are-boards-and-ceos-accountable-for-the-right-level-of-work/

42 Donald Delves, How Boards Can Hold Executives Accountable, Forbes (Mar. 18, 2010) https://www.forbes.com/2010/03/18/executive-compensation-accountability-leadership-governance-pay.html#3e45329511f6.

43 Id.

44 Id.

to deter malfeasance by an executive.

Another method of ensuring control over executive officers is spreading accountability. If a company's resources allow it, hiring multiple executives is an effective way to spread management responsibility and effectively mitigate risk. Not only does this encourage checks and balances within the day-to-day operational decisions of a corporation, it encourages self-reporting amongst the executive management.

Along the same lines, owners and directors seeking to avoid liability should take care to appoint independent officers. As seen in the context of shareholder derivative suits, independent decision making by a board is critical to avoid accusations of self-dealing.[45] Indeed, modern corporate theory suggests keeping the interests of the board and high-ranking officers separate, with the former seeking to serve the shareholders and the latter pushing directives from the board.[46] Intuitively, having a board member serve double duty as an executive seems like an easy way to bridge the gap between the board's goals and the company's operations. However, in the event of litigation against the company, an executive officer serving as a board member may signal a lack of insulation and independence by the board and may forfeit the protection of the Business Judgment Rule.

Rather than reallocate accountability, another effective tactic is to increase oversight. This can be accomplished in a number of ways. For larger companies, allocation of operating capital is an easy way to ensure compliance with corporate directives and goals.[47] By doling out capital allocations on a project-by-project basis, boards and owners can effectively create veto power for an officer's larger decisions.[48] If capital control is too subtle, the owners can institute direct operational control via company directives and hands on management of the directors.[49] The risk of this strategy is that the distinction between the owners or board of Directors and executives becomes blurred.[50] While this type of oversight is generally not enough to create liability via agency law or corporate veil theory, extreme cases may lead to a finding that the owners or board are exercising domination and have eliminated any distinction between themselves and the executives.[51]

One less direct and often overlooked area method of executive control is the audit. While many small companies perform audits on a yearly basis, more frequent auditing or internal methods of bookkeeping are effective ways to monitor company funds and hold executives accountable.[52] Moreover, audits can be tempered to gauge all manner of criteria, including adherence to corporate governance, the effectiveness of compensation schemes, and how functional executives and employees are at their jobs.

Conclusion

While the Primary Corp. hypothetical may be slightly exaggerated, it represents a scenario that is certainly familiar. Company executives have cost companies a fortune in the past and will continue to do so into the foreseeable future unless appropriate steps are taken to prevent abuse. As a board member or owner of a company, it is important to recognize the fiduciary duties these executives have to the company and ownership. Moreover, it is critical to understand how the actions of these executives affect their own liability and the liability of their overseers. Once both of these concepts are fully realized, the need for control becomes clear and the available options are varied.

45 Deborah A. Demott, The Mechanisms of Control, 13 Conn. J. Int'l. L. 233, 237 (1999)

46 Lyman P.Q. Johnson, Recalling Why Corporate Officers Are Fiduciaries, 46 Wm. & Mary L. Rev. 1597, 1645 (Mar. 2005).

47 Deborah A. Demott, The Mechanisms of Control, 13 Conn. J. Int'l. L. 233, 237 (1999)

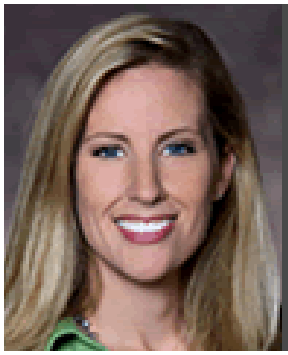
48 Id.

49 Id. at 238

50 Id.

51 Id. at 239.

52 4imprint, Inc., Corporate Governance for Small Businesses 8 (Dec. 2010)



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Ms. Nesbitt is a partner with the firm. Her current practice concentrates on medical malpractice defense and complex commercial litigation, as well as cases that combine the two fields. She represents several health systems in Maryland and the District of Columbia, handling complicated malpractice cases as well as credentialing, employment, and compliance-related matters. Ms. Nesbitt also handles employment matters outside of the healthcare context for employers in this region and beyond. Ms. Nesbitt's experience as a litigator provides her with insight to counsel her employment clients on drafting guidelines, policies, and agreements, in addition to defending matters that have already proceeded to litigation.

For the entirety of her 16 years at the bar, Ms. Nesbitt has worked for Goodell DeVries and has moved through the ranks from summer associate to partner. Likewise, she has enjoyed positions of leadership in the Maryland Defense Counsel, the Defense Research Institute, and in non-legal organizations such as JDRF.

Practice Areas

- Commercial and Business Tort Litigation
- Employment Litigation
- Medical Malpractice
- Medical Institutions Law
- Professional Liability
- Insurance Law
- Hospitality Law

Selected Cases and Decisions

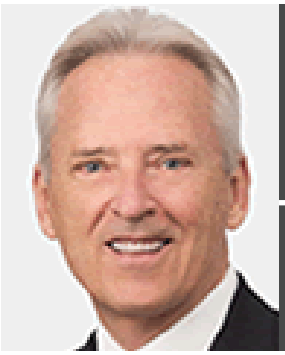
- Al-Ameri v. The Johns Hopkins Health System, United States District Court for the District of Maryland. Obtained summary judgment on claims for more than $1M in medical expenses on the grounds that all expenses were paid by the government of the plaintiff's home country, the United Arab Emirates.
- Hall v. MedStar Physician Partners, Maryland Court of Special Appeals (2014-2016). Obtained affirmance of a change in venue from Baltimore City Circuit Court to Baltimore County Circuit Court in professional liability case against a health care provider. Ms. Nesbitt argued for a change in venue based upon the public interest of having a case decided in the venue in which the dispute arose and in which the parties had previously been residents, even though both individual parties had since moved away and issues of pure convenience were neutral. The lower court granted the requested change in venue, and the appellate court affirmed.
- Chen v. Mayor & City Council of Baltimore, United States District Court for the District of Maryland (2013) (affirmed by Court of Appeals for the Fourth Circuit). Obtained dismissal for failure to effect service. The case proceeded to the Fourth Circuit, where it was affirmed, and the United States Supreme Court granted certiorari but then dismissed the plaintiff's appeal after he failed to pursue it.

Honors and Awards

- Leading Women Award from The Daily Record (2011)

Education

- University of Maryland (B.A., cum laude, 1996)
- University of Maryland, School of Law (J.D. 1999) - Order of the Coif



LITIGATING ON A BUDGET: NOT BETTING THE COMPANY

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Litigating on a Budget - Not Betting the Company
Jim Miller

Trial lawyers love to talk about their experience in "bet-the-business" cases. Some list it in their online bios along with "complex litigation." It is certainly an honor to be entrusted with a case in which the client's business is at great risk. But not every case is an existential threat. A report by the National Center for State Courts and the State Justice Institute on approximately 12,000 cases in 152 state courts in 10 urban counties in 2012 and 2013 reported that "[d]espite widespread perception that civil litigation involves high-value commercial and tort cases, only 357 cases (0.2%) had judgments that exceeded $500,000 and only 165 cases (less than 0.1%) had judgments that exceeded $1 million."[1] For the majority of cases, the report concluded that "[f] or most represented litigants, the costs of litigating a case through trial would greatly exceed the monetary value of the case."

This article briefly addresses suggestions for reducing time and costs in cases in which the exposure is not an existential threat, roughly those cases in which the amount at stake is $1 million or less.[2] Some of those cases are worth litigating, if the cost of litigating is proportional to the risk.

1 "The Landscape of Civil Litigation in State Courts," https://www.ncsc.org/~/media/Files/PDF/Research/CivilJusticeReport-2015.ashx.

2 $1 million is an arbitrary number. Pick most numbers, and you can still over-spend. In a $10 million case you don't want to spend $5 million defending, at least on economic considerations.

Early Case Assessment

The first task is to perform a quick early case assessment ("ECA") to determine the exposure and the likelihood of success. While a thorough ECA can be conducted expeditiously with the proper template or methodology, when the exposure is low the emphasis should be on speed and not necessarily completing every step of a fulsome ECA.

Trial-Centric vs. Discovery-Centric

In too many cases discovery is the tail that wags the dog. Suggestions for bringing discovery into line are discussed below. The point here is that cases can be litigated more efficiently – and settlements reached more quickly – when the parties focus on preparing the case for trial instead of the all too common approach of focusing first on discovery and a "discovery plan." Delay is a time-worn and often effective defense, but it costs money. The longer a case goes on, the more it costs. Getting a case ready for trial quickly, and getting an early trial setting, are keys to reducing litigation costs in low exposure cases. Ideally the parties can at least agree that the amount at stake argues in favor of an expedited track, and that agreement can be presented to the court. But even acting unilaterally, a party may convince a judge that the economics of the case are such that an early trial setting, and an early mediation, serves the interests of justice and judicial and party economics.

Limiting the Scope

Do you need all those claims/defenses? The more causes of action or defenses alleged mean more time litigating motions to dismiss or strike, motions for summary judgment, and discovery. Pleadings should be streamlined as much as possible (often for bet-the-business cases, too). Although you may be able to assert a RICO claim in addition to a simple breach of contract, it adds little to the case aside from cost.

Limiting Discovery

Do you need all those depositions? In many if not most cases discovery is the most time-consuming and fee-consuming part of the case. The often reflexive approach to depositions is: if it moves, depose it. The objective in many depositions is not so much gaining evidence as foreclosing evidence. In most cases, it's not worth the expense. In a low exposure case, you can't afford it. Try to limit depositions as much as possible, preferably stipulating with the other side to no more than 2 or 3 depositions per side.

Several years ago I took over a case on the eve of trial. The file I inherited had no depositions, and the discovery deadline had passed. In arriving at a multi-million verdict, I was able to conduct my most effective cross-examination ever. Why? They didn't see it coming. Without a prior deposition, the witnesses didn't know what to expect. Remember that depositions, although preparing you, also prepare the witness. Especially in business cases in the age of electronic communication, email and text communications between the parties often offer a virtual transcript, often minute-by-minute, that may be more useful than a transcript.

And interrogatories? Who answers interrogatories? Lawyers! Dispense with contention interrogatories and ask only for witnesses and critical dates.

Now the gorilla in the room – e-discovery. In this day and age e-mail is critical. As early as possible try to agree upon a protocol that is thorough for the email (and maybe texts) of key witnesses using an agreed-upon list of search terms. Once you get into forensic consultants, the budget is in peril. Get on this early so that if your opponent is recalcitrant you can promptly get out a motion to compel. E-discovery is a black hole. Dive only so far.

Opposing Counsel

Trial Lawyers are fighters. The other side is the enemy. But in most cases, especially low exposure cases, there is no need to fight on every issue. Good lawyers know what can be conceded. In low exposure cases try to stipulate to as much as possible, with one exception. Resist the request for a 20-day extension. How about 10 days? Try to get along with opposing counsel, reserving the fight to the central issues of the case.

Limiting the Process

Do you need all those motions? After discovery, motion practice, and especially summary judgment, takes up a lot of oxygen. The defenses raised in a motion to dismiss may also be pled as affirmative defenses, hanging over the plaintiff. Motions for summary judgment require a lot of time and effort. Unless they are probable of success, e.g., statute of limitations, claims and defenses should be reserved for trial and post-trial motions. Motions for extension of time are to be avoided, consistent with professionalism and the court's expectation that counsel cooperate.

Managing Emotions

Mediators are trained in spotting emotional obstacles to settlement – anger, hurt feelings, a desire to punish the other side. These common, emotional components to a dispute, while often understandable, are not only roadblocks to settlement, they cost time and money. Managing these emotions is an important part of managing the client's expectations and properly focusing the effort to the legal issues and a winning narrative. This should be explored and discussed as early as possible in client interviews.

Conclusion

The French philosopher/writer, Voltaire, is credited with the expression, "the perfect is the enemy of the good." The mark of a great lawyer is that she leaves no stone unturned. Nothing escapes the "steel trap." But the scope of the effort in low exposure cases must be limited, in a thoughtful and strategic

approach, in order to appropriately scale the effort to the exposure and to help drive great results at a reasonable cost.

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Jim Miller has taken over 100 cases to verdict, judgment or award before juries, judges, and arbitrators, delivering exceptional results for sophisticated clients. Jim represents companies and individuals across diverse industries such as banking and financial institutions, technology, manufacturing and product distribution, and communications. He has recovered jury verdicts in cases ranging from antitrust to personal injury, intellectual property, trade secrets, contracts, franchising, and licensing. His work has been recognized by The Best Lawyers in America, Benchmark Litigation, and Florida Trend's Legal Elite.

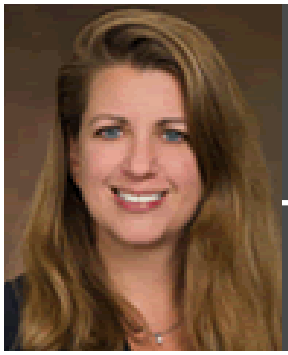
Jim's wide diversity of experience enables him to serve his clients varied legal issues. From representing cutting-edge internet companies in government investigations and other disputes, to representing financial institutions and officers and directors in multidistrict litigation, a national government seeking to recover assets hidden by a former president, or representing a former Attorney General of the United States in a civil rights case, clients value the breadth of experience and knowledge he brings to each matter.

Areas of Experience
- Commercial Disputes
- Intellectual Property Litigation
- Litigation
- Secured Financing Litigation
- Trade Secrets, Restrictive Covenants, and Unfair Competition
- Financial Services

Notable Work
- Telecommunications: Represented global satellite company in multimillion dollar dispute concerning the sale and distribution of satellite capacity in federal court action; Represented a telecom company under the Federal Communications Act resulting in a favorable judgment. Wholesale Telecom Corp. v. ITC Deltacom Communications, Inc., 2006 WL 988480 (C.A. 11, April 2006)
- Product Distribution: Represented a national food producer and distributor in recovering and collecting multi-million dollar judgment in federal court against coupon fulfillment company.

Honors and Distinctions
- The Best Lawyers in America 2017-2018, Listed in Florida for Commercial Litigation
- Benchmark Litigation 2018, Listed in Florida as a "Local Litigation Star" for General Commercial
- Super Lawyers Magazine 2011-2018, Listed in Florida for Business Litigation
- The International Who's Who of Business Lawyers, Listed for Commercial Litigation
- South Florida Legal Guide Top Lawyers, Listed for Corporate and Commercial Litigation, and Corporate and Business Litigation
- Florida Trend's Legal Elite, Listed for Commercial Litigation

Education
- B.A., University of Miami, magna cum laude
- J.D., University of Chicago Law School



LESSONS LEARNED FROM MASS LITIGATION

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Plaintiffs' Increasingly Creative Attempts to Expand Corporate Liability Under the Doctrine of Public Nuisance

Jessie Zeigler and Micael Kapellas

William Prosser posited in his Handbook of the Law of Torts, that "[t]here is perhaps no more impenetrable jungle in the entire law than that which surrounds the word 'nuisance.' It has meant all things to all men, and has been applied indiscriminately to everything from an alarming advertisement to a cockroach baked in a pie. There is general agreement that it is incapable of any exact or comprehensive definition." Id. § 86, at 571 (4th ed. 1971).[1] This nebulousness has led courts to recognize that, allowed to proceed unabated, nuisance law has the potential to "become a monster that would devour in one gulp the entire law of tort . . . ." Tioga Public School District #15 of Williamson County v. United States Gypsum Co., 984 F.2d 915, 921 (8th Cir. 1993).

At the turn of the last century, perhaps not surprisingly, plaintiffs increasingly began venturing into this impenetrable jungle to exploit the ambiguity of public nuisance, and the tort awoke from "a centuries-long slumber." Donald G. Gifford, Public Nuisance As A Mass Products Liability Tort, 71 U. Cin. L. Rev. 741, 743 (2003). Most notably, plaintiffs began applying the doctrine, with varying levels of success, to claims against tobacco manufacturers,[2] handgun manufacturers,[3] paint manufacturers who included lead pigment in their products,[4] and companies that used methyl tertiary butyl ether (MTBE) in gasoline.[5] In recent years, the tort of public nuisance has been used in increasingly novel ways, and with similarly varying levels of success, including in claims related

1 Prosser further explained that few terms have "afforded so excellent an illustration of the familiar tendency of the courts to seize upon a catchword as a substitute for any analysis of a problem; the defendant's interference with the plaintiff's interests is characterized as a 'nuisance,' and there is nothing more to be said." Id.

2 See, e.g., Moore ex rel. Mississippi v. Am. Tobacco Co., No. 94-1429 (Miss. Ch. Ct. Jackson County May 23, 1994); McGraw v. Am. Tobacco Co., No. CIV. A. 94-C-1707, 1995 WL 569618 (W. Va. Cir. Ct. June 6, 1995). By mid-1997, "forty of the fifty state attorneys general had filed suit against tobacco companies," suits which were eventually settled between the state attorneys general and tobacco companies for $206 billion. See Maria Gabriela Bianchini, The Tobacco Agreement That Went Up in Smoke: Defining the Limits of Congressional Intervention into Ongoing Mass Tort Litigation, 87 Cal. L. Rev. 703, 712 (1999).

3 See, e.g., People ex rel. Spitzer v. Sturm, Ruger & Co., 761 N.Y.S.2d 192, 196 (N.Y. App. Div. 2003) (affirming dismissal of common-law public nuisance claims against handgun manufacturers, wholesalers and retailers and reasoning that "giving a green light to a common-law public nuisance cause of action today will, in our judgment, likely open the courthouse doors to a flood of limitless, similar theories of public nuisance, not only against these defendants, but also against a wide and varied array of other commercial and manufacturing enterprises and activities."; City of Cincinnati v. Beretta U.S.A. Corp., 768 N.E.2d 1136 (Ohio 2002) (reversing appellate court decision dismissing city's claims for, inter alia, public nuisance against gun manufacturers); City of Gary ex rel. King v. Smith & Wesson Corp., 801 N.E.2d 1222, 1228 (Ind. 2003) (allowing the city to proceed on public nuisance claims against gun manufacturers and other defendants); City of Chicago v. Beretta U.S.A. Corp., 821 N.E.2d 1099 (Ill. 2004) (refusing to create "an entirely new species of public nuisance liability" in affirming the trial court's dismissal of public nuisance claims against gun manufacturers). The Protection of Lawful Commerce in Arms Act ("PLCAA"), 15 U.S.C.A. § 7901, et seq., significantly limited the right to bring public nuisance and other claims related to firearms by "prohibit(ing) causes of action against manufacturers, distributors, dealers, and importers of firearms or ammunition products, and their trade associations, for the harm solely caused by the criminal or unlawful misuse of firearm products or ammunition products by others when the product functioned as designed and intended." But see Chiapperini v. Gander Mountain Co., 13 N.Y.S.3d 777, 789 (N.Y. Sup. Ct. 2014) (allowing claims for public nuisance and negligent entrustment to go forth against gun sellers).

4 Plaintiffs continue to enjoy success in some instances with their claims that lead paint producers are liable under public nuisances theories. See, e.g., People v. Conagra Grocery Prod. Co., 227 Cal. Rptr. 3d 499 (Cal. Ct. App. 2017), reh'g denied (Dec. 6, 2017), review denied (Feb. 14, 2018) (upholding a finding that lead paint qualified as a public nuisance, while modifying the trial-court's award).

5 See, e.g., In re Methyl Tertiary Butyl Ether ("MTBE") Prod. Liab. Litig., 415 F. Supp. 2d 261 (S.D.N.Y. 2005) (allowing claim for public nuisance under Indiana law to proceed against petroleum companies who allegedly contaminated groundwater with the MTBE additive).

to gang activity[6] and priest sexual abuse.[7]

While an exact or comprehensive definition of nuisance has proved elusive, most states utilize the Restatement (Second) of Torts definition of public nuisance, which defines it as "an unreasonable interference with a right common to the general public." Restatement (Second) of Torts § 821B(1). The Restatement further explains:

> (2) Circumstances that may sustain a holding that an interference with a public right is unreasonable include the following:
>
> (a) Whether the conduct involves a significant interference with the public health, the public safety, the public peace, the public comfort or the public convenience, or
>
> (b) whether the conduct is proscribed by a statute, ordinance or administrative regulation, or
>
> (c) whether the conduct is of a continuing nature or has produced a permanent or long-lasting effect, and, as the actor knows or has reason to know, has a significant effect upon the public right.

Id.

As one commentator has explained, the traditional doctrine of public nuisance, which requires that a party prove an injury that is "different-in-kind" and not just "different-in-degree" from the general public who may be affected by the nuisance, "presents a paradox: the broader the injury to the community and the more the plaintiffs injury resembles an injury also suffered by other members of the public, the less likely that the plaintiff can bring a public nuisance lawsuit." Denise E. Antolini, Modernizing Public Nuisance: Solving the Paradox of the Special Injury Rule, 28 Ecology L.Q. 755, 761 (2001).

Attorneys representing manufacturer defendants need to be aware of their clients' potential exposure to nuisance claims. It is not difficult to envision that the doctrine might be utilized by creative plaintiffs' attorneys to assert claims against manufacturers and other entities operating in heretofore unimagined realms. Two industries that have faced increased potential liability in recent years based on claims that their actions have created public nuisances are prescription drug manufacturers, particularly those who manufacture and distribute opioids, and fossil-fuel companies, who plaintiffs allege have engaged in actions that have contributed to climate change.

In December 2017, the Judicial Panel on Multidistrict Litigation transferred 62 opioid-related civil actions to the United States District Court for the Northern District of Ohio. See In re Nat'l Prescription Opiate Litig., No. MDL 2804, 2018 WL 2012878 (U.S. Jud. Pan. Mult. Lit. Apr. 23, 2018). Since then, 487 additional actions were transferred to the Northern District of Ohio. Id.[8] The more than 500 actions consolidated in the multidistrict litigation have been brought by cities, counties and Native American tribes, and do not account for the dozens of additional cases being brought by in state courts around the country by various municipal and other entities.

Public nuisance actions based on the alleged effects of climate change preceded by years the claims related to opioids made against prescription drug manufacturers. See Am. Elec. Power Co. v. Connecticut, 564 U.S. 410 (2011). In American Electric Power Company, the Supreme Court left it to the Second Circuit to determine whether state-law nuisance claims were pre-empted by the Clean Air Act, id. at 430, a question left open when the plaintiffs subsequently withdrew their complaints. See "20110902 Letter withdrawing by plaintiffs in AEP v Connecticut (American Electric Power)," link available at http://climatelawyers.com/post/2011/09/21/Connecticut-v-AEP-The-End-Is-Very-Near.aspx.

More recently, several coastal cities and states have

6 See People ex rel. Gallo v. Acuna, 14 Cal. 4th 1090, 1120, 929 P.2d 596, 615 (1997) (finding valid claims that gang members violated the public nuisance statute in part because the "hooligan-like atmosphere that prevails night and day in [their neighborhood]—the drinking, consumption of illegal drugs, loud talk, loud music, vulgarity, profanity, brutality, fistfights and gunfire—easily meet the statutory standard" of being "'indecent or offensive to the senses' of reasonable area residents.")

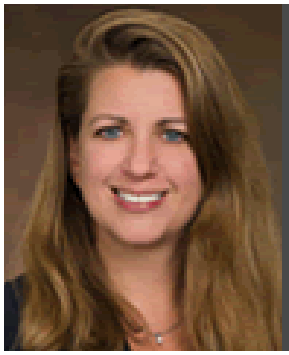
7 See, e.g., Doe 30 v. Diocese of New Ulm, 2014 WL 10936509, at *11, 13 (Minn. Dist. Ct.) (trial court order declaring that alleged victim of priest sexual abuse had no standing to maintain a private action for the alleged public nuisance because he, at most, sustained damages different in degree from the general public. The court determined that he lacked standing because he and did not sustain "special or peculiar damage" that was not common to the general public, which is a prerequisite to seeking a private remedy to a public nuisance under Minnesota law and elsewhere.)

8 United States District Judge Dan Aaron Polster, who is presiding over the multidistrict litigation, appears eager for a quick resolution to the MDL cases. At the January 9, 2018, first meeting of counsel he told the parties that he did not "think anyone in the country is interested in a whole lot of finger-pointing at this point, and I'm not either. People aren't interested in depositions, and discovery, and trials. People aren't interested in figuring out the answer to interesting legal questions like preemption and learned intermediary, or unravelling complicated conspiracy theories. So my objective is to do something meaningful to abate this crisis and to do it in 2018." (Doc. 58, No. MDL 2804, "Transcript of Proceedings Before the Honorable Dan A. Polster United States District Judge and Before the Honorable David A. Ruiz United States Magistrate Judge," at 4:17-25.) (Transcript also available at https://assets.documentcloud.org/documents/4345753/MDL-1-9-18.pdf).

also applied the theory of public nuisance in lawsuits filed against entities such as BP, ExxonMobil, Chevron, ConocoPhillips and Shell, alleging that the companies knew of the harms that global warming posed. In a nod to the earlier public nuisance lawsuits against tobacco companies, some of the lawsuits even allege that the fossil fuel companies "borrowed the Big Tobacco playbook in order to promote their products" by "engag[ing] in advertising and public relations campaigns intended to promote their fossil fuel products by downplaying the harms and risks of global warming." See State v. BP P.L.C. et al., Case No. RG17875889 (Superior Court of the State of California, County of Alameda, Sept. 19, 2017) (Complaint at ¶ 63). The City of Oakland brought the lawsuit in Alameda County against the fossil fuel companies listed above, as well as other unknown entities. The lawsuit alleges that Oakland will be required to expend billions of dollars to confront the climate change injuries it will suffer, and requested an abatement fund be established to provide for infrastructure so that the city can adapt to global warming impacts such as sea level rise. The same day that the City of Oakland filed its complaint, San Francisco's city attorney filed a similar complaint against the same entities. See State v. BP P.L.C. et al., Case No. CGC-17-561370 (Superior Court of the State of California, County of San Francisco, Sept. 19, 2017). On July 17, 2017, California's San Mateo and Marin counties, as well as the City of Imperial Beach, filed similar lawsuits alleging public nuisance and other claims against the same fossil fuel companies and others that are named in the Oakland and San Francisco complaints.

Whether the entities that have brought suit against prescription drug manufacturers and fossil fuel companies succeed in their claims based on public nuisance remains to be seen. It is possible that the players in either or both industries follow the template laid out in the early tobacco cases, in which the manufacturers entered into master settlement agreements which netted states significant payouts. It is also possible that Congress intervenes in one or both industries to curtail the potential liability of the prescription drug manufacturers and fossil fuel companies with something similar to the Protection of Lawful Commerce in Arms Act, which severely curtailed the right to bring lawsuits against firearms manufacturers, distributors, and dealers when the firearms or ammunition functioned as they were designed and intended but were used unlawfully.

Whether either of the above described scenarios— or, perhaps some other outcome— ultimately ends up playing out, what seems inevitable is that companies and industries will continue to see increasingly novel uses of the public nuisance doctrine and need to prepare accordingly.



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Whether representing a Fortune 500 company or one of the largest municipalities in Tennessee, Jessie Zeigler has returned successful results for 100 percent of the cases she has handled for clients in a wide range of litigation matters. Her counsel has saved clients millions in losses across various industries – including automotive, food and beverage, healthcare, consumer products, pulp and paper, general manufacturing, chemical, pharmaceutical/life sciences, and medical device – as they have faced claims related to crisis management, environmental, natural gas hedging, health & safety, products liability, healthcare liability, or contracts. Jessie represents clients in claims related to deceptive business practices under the Tennessee Consumer Protection Act (TCPA) and the False Claims Act (FCA). She also has more than 23 years of experience in representing clients in environmental, health and safety matters.

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- Phi Beta Kappa

Publications

- Jessie Zeigler and Chad Jarboe Examine Witness Preparation in Trials for ABA Publication - December 4, 2017
- Jessie Zeigler Outlines Key Steps for Managing Plant Disasters - October 18, 2017
- Jessie Zeigler Co-Authors Article on Component Supplier Liability in Medical Device Cases - September 26, 2014
- Products and Mass Torts: 2014 Industry Group Developments- February 13, 2014
- Jessie Zeigler Co-Authors Article for Defense Counsel Journal - July 31, 2013
- Law360 Publishes Article on Gas Utility Decision in Favor of Firm's Client - July 23, 2013

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THE REMOVAL ROAD TRIP: PLOTTING THE BEST COURSE WITH YOUR CLIENTS

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The Removal Road Trip: Plotting the Best Course With Your Client
Stephen J. Finley

Where a case is litigated is often just as important to its outcome as the underlying claims and defenses. Federal court typically offers a defendant significant advantages over proceeding in state court. When a case is filed in state court, removal is the path to federal court. Perfecting removal, however, requires compliance with various provisions of Title 28 of the United States Code (Judiciary and Judicial Procedure), the Federal Rules of Civil Procedure and the extra-statutory requirements of the various Courts of Appeal and, sometimes even, the District Courts. This article considers several recent decisions regarding the requirements for removal and the timing of removal to District Court.

Removal: the Path to Federal Court

A defendant may remove "any civil action brought in a state court of which the district courts of the United States have original jurisdiction" to "the district court of the United State for the district and division embracing the place where such action is pending" pursuant to the procedures set forth in 28 U.S.C. § 1446. Delella v. Hanover Ins., 660 F.3d 180, 184 (3rd Cir. 2011)(quoting 28 U.S.C. § 1441(a)). Under § 1446, a defendant seeking removal typically must file a notice of removal with the district court within thirty days of being served with the complaint. The removal statutes provide, however, that "if the case stated by the initial pleading is not removable, a notice of removal may be filed within 30 days after receipt by the defendant, through service or otherwise, of a copy of an amended pleading, motion, order or other paper from which it may first be ascertained that the case is one which is or has become removable." 28 U.S.C. § 1446(b)(3). However, a case may not be removed more than one year after commencement, unless it is determined that a plaintiff has acted in bad faith to prevent removal. 28 U.S.C. § 1446(c). Section 1446 requires that "all defendants who have been properly joined and served must join in or consent to the removal of the action." 28 U.S.C. § 1446(b)(2)(A). Where removal is based upon diversity jurisdiction (as most removals are), removal is permitted so long as the amount in controversy "exceeds the sum or value of $75,000, exclusive of interest and costs…." 28 U.S.C. § 1332(a). Upon removal to District Court, the case is governed by Federal Rule of Civil Procedure 81(c)(Removed Actions) and the procedures set forth therein.

Although the removal process is addressed in several statutory provisions, and the Federal Rules dictate the procedure for further proceedings in District Court upon removal, a significant body of case law exists with regard to the requirements for removal and the propriety of efforts to secure jurisdiction in district court.

It's a Matter of Consent

In order to effectively remove a multi-defendant case,

"all defendants who have been properly joined and served must join in or consent to the removal of the action." 28 U.S.C. § 1446(b)(2)(A). The form that a non-removing defendant's consent must take is not addressed in the governing statutory provisions or the Federal Rules of Civil Procedure, but is the subject of several court opinions and represents a split in authority between the Courts of Appeal. For example, in Griffioen v. Cedar Rapids and Iowa City Railway Company, the United States Court of Appeals for the Eighth Circuit held that a Notice of Removal indicating the consent of a co-defendant, followed by the filing of a notice of consent by the non-removing co-defendant, sufficiently states the non-removing defendant's consent to removal. 785 F.3d 1182 (8th Cir. 2015). In Griffioen, the plaintiffs filed a putative class action in Iowa state court seeking to recover for property damage sustained in a 2008 flood. Plaintiffs named approximately twelve defendants. The Notice of Removal stated that counsel for the removing defendant contacted attorneys for the other defendants and there was no objection to removal. The Notice of Removal also included a certification pursuant to a local rule in which counsel for the removing defendant stated that all defendants had provided their consent to removal. Some of the non-removing defendants filed a notice of consent to removal, but did so more than 30 days after service of the Complaint. Plaintiff moved to remand on the grounds that the non-removing defendants failed to either sign the Notice of Removal or timely provide their written consent to removal within 30 days of receipt of the Complaint. However, the Eighth Circuit held that the removal was proper. Noting that there is a circuit split over the form that a non-removing defendant's consent must take, the appeals court held that the unanimity requirement is satisfied where the removing defendant states the consent of the co-defendants and counsel indicates that the removing party has authority to state the co-defendants' consent. It does not matter that the non-removing defendant's consent was filed more than 30 days after it was served with the Complaint, since the Notice of Removal was itself timely filed. In its analysis, the Eighth Circuit relied on the fact that the Notice of Removal is subject to Rule 11 and the potential for sanctions if a removing party misstates the position of a co-defendant. The holding in Griffioen is in line with the rule adopted by the fourth and ninth circuit, which also hold that one defendant's representation that all defendants consent to removal is sufficient and complies with the unanimity requirement of the removal statute. See Mayo v. Board of Education of Prince George's County, 713 F.3d 735 (4th Cir. 2013); Proctor v. Vishay Intertechnology Inc., 584 F.3d 1208, 1225 (9th Cir. 2009).

In contrast, however, some federal courts have imposed a requirement that a non-removing defendant clearly and unambiguously join in the removing defendant's Notice of Removal within the thirty day time period for removal. See, e.g., N.J. Brain & Spine Ctr. V. Horizon Blue Cross Blue Shield of N.J., Inc., No. 17-2451, 2017 WL 6816741, at * 1 (D.N.J. Dec. 14, 2017); Alejandro v. Phila. Vision Ctr., 271 F. Supp. 3d 759 (E.D. Pa. 2017). In Alejandro, the Court rejected the approach adopted in cases like Griffioen and held that "[o]ne defendant may not speak for another defendant when filing a Notice of Removal. Defendant A, for example, cannot give its consent to removal by authorizing defendant B, who is filing the Notice of Removal, to say that defendant A consents without the defendant A or defendant A's attorney actually signing the Notice of Removal." These cases from District Courts within the Third Circuit Court of Appeals reject the position often put forward in opposition to remand that a removing party makes its removal subject to the requirements of Rule 11 (and the Rule's potential for sanctions), that papers are routinely submitted in Federal court stating the position of another party, such as an unopposed motion or a motion in which one or more non-moving parties join, and that the applicable statutory provisions do not state the form in which a non-removing defendant must manifest its consent. While it is clear that within the Third Circuit a non-removing defendant must either sign the Notice of Removal or file a paper stating its consent, district courts within the Third Circuit have not addressed the form that consent must take.

Removal Upon Service of an "Other Paper"

Where a case is not removal upon service of the Complaint, it may nevertheless become removable upon service of an "amended pleading, motion, order or other paper from which it may first be ascertained that the case is one which is or has become removable." Generally, in addition to amended

pleadings, discovery responses and deposition transcripts indicating a basis for federal jurisdiction, and Court orders dismissing a jurisdiction-destroying defendant all constitute an "other paper" which can form the basis for removal. Earlier this year, the United States Court of Appeals for the Fifth Circuit was faced with deciding what constitutes service of an "other paper" from which it can be ascertained that a case has become removable. See Morgan v. Huntington Ingalls, 879 F. 3d 602 (5th Cir. 2018). Morgan involved claims that the plaintiff was exposed to asbestos through his employment as a sheet metal worker. Plaintiff was deposed over several days from March 9, 2017 through April 13, 2017. The removing defendant questioned plaintiff on March 10 and March 20 and received a link to the deposition transcript on March 28, 2017. The case was removed on April 27, 2017 – 30 days following receipt of the transcript, but 38 days from the last date counsel for the removing defendant questioned plaintiff. Plaintiff moved to remand on the grounds that the removal was untimely, since more than 30 days had passed since plaintiff's testimony that is the basis for removal.

The Court began its analysis by noting that while the specific question raised was one of first impression, it has previously held a deposition transcript constitutes an "other paper" within the meaning of 28 U.S.C. § 1446(b)(3). Looking to the statute and applying its principles of statutory interpretation, the Court of Appeals held that the "plain meaning" of the relevant provision "suggests that the information giving notice of removal must be contained in a writing." Id.at 609. Moreover, "[w]here a removal is based on a statement made during the deposition, the transcript will often be used to evidence the alleged statement. Thus, it is counterintuitive to start the [30 day] clock before obtaining the very evidence the defendant will rely upon to support removal." Id. at 611. The holding in Morgan recognizes another reality of removal practice: a defendant, and perhaps all parties, may know that a case is or will be removable, but until the facts offering the basis for removal are of record, removal is premature. The Fifth Circuit's holding prevents preemptive removals based upon an incomplete record or a defendant's suspicions, without penalizing a removing defendant who waits until there is a well-developed record in support of removal before filing a Notice.

Removal Before Service

Removal before service is a tactic that permits a defendant to remove a case to federal court despite the "forum defendant rule." Under the forum defendant rule, "[a] civil action otherwise removable solely on the basis of the jurisdiction under section 1332(a) of this title may not be removed if any of the parties in interest properly joined and served as defendants is a citizen of the State in which such action is brought." 28 U.S.C. § 1441(b)(2). As with other questions regarding the propriety of removal, there is a split of authority as to whether "removal before service" complies with the statutory provisions governing removal. Last year, in Cheung v. Bristol-Myers Squibb Co., et al., the United States District Court for the Southern District of New York denied remand following a series of removals before service, even though a forum defendant was named in the case, but not yet served. 2017 WL 4570792 (S.D.N.Y. Oct. 12 2017). In Cheung, the plaintiffs moved to remand and characterized the defendant's removal as "gamesmanship." Plaintiffs did not reject the notion of removal before service entirely, but argued that removal before service should be permitted only where a plaintiff has had a "meaningful chance" to serve a forum defendant. The district court held that "the [removal] statute prohibits removal when there are in-state defendants only when those defendants have been properly joined and served. The specific purpose of the joined and served requirement has been read to prevent a plaintiff from blocking removal by joining as a defendant against whom it does not intend to proceed and who it does not even serve." The Court held that "a plain reading of the forum defendant rule" permitted removal, as there was no dispute that removal occurred before the forum defendant was served. Accordingly, the Motion to Remand was denied.

No Real Intention to Prosecute Is Fraudulent Joinder

In the Third Circuit, a defendant is fraudulently joined where "there is no reasonable basis or colorable ground supporting the claim against the joined defendant, or no real intention in good faith to prosecute the action against the defendant or seek a joint judgment." Bentley v. Merck & Co.,

No. 17-1122, 2017 WL 2311299 (E.D. Pa. May 26, 2017)(citations omitted). In Bentley, a group of plaintiffs from Pennsylvania, Nevada, and Missouri sued a New Jersey pharmaceutical company in Pennsylvania state court. In order to defeat diversity jurisdiction, the plaintiffs also named a Merck employee who was a resident of Pennsylvania. What makes Bentley such an interesting case is the Court's focus on the second part of the Third Circuit's fraudulent joinder standard: "no real intention in good faith to prosecute the action" against the jurisdiction-destroying defendant, rather than the "no basis in law of fact" standards applied, in one form or another, in district courts around the country. The Third Circuit's inclusion of the "no real intention" language in its fraudulent joinder standard stands out from other courts, where such evidence might be considered, but is not necessarily in itself a basis for a finding of fraudulent joinder. See, e.g., Thompson v. R.J. Reynolds Tobacco Co., 760 F.3d 913, 915 (8th Cir. 2014)("A party has been fraudulently joined when there exists no reasonable basis in fact and law to support a claim against it."); In re 1994 Exxon Chem. Fire, 558 F.3d 378, 385 (5th Cir. 2009)("The test for [fraudulent] joinder is whether the defendant has demonstrated that there is no possibility of recovery by the plaintiff against an in-state defendant….")

The decision in Bentley turned at least in part on the fact that the same plaintiffs' attorneys had filed another lawsuit called Juday against the same defendants in Federal court. In Juday, however, plaintiffs' counsel agreed to the voluntary dismissal of the forum state employee, as her presence in the case did not have any effect on where the case would be heard. In other words, since the Juday plaintiffs filed suit in federal court, the inclusion of a non-diverse defendant was unnecessary.

> We find that the only reason plaintiffs have joined [the diversity-destroying employee] as a defendant is to defeat this court's subject matter jurisdiction and that they have no real intention in good faith to prosecute these actions against her to judgment. We reach this compelling finding in light of the stipulation of dismissal of [the employee] in Juday and the plaintiffs' retention of [the employee] in the other similar cases where the same counsel represents all the plaintiffs.

Id. at *3.

Bentley presented a particularly clear set of facts demonstrating that the plaintiff joined the non-diverse defendant solely to defeat diversity jurisdiction and had no real intention of pursuing the claims asserted against the employee. Nevertheless, the case is an important illustration of presenting evidence of conduct in other similar cases that demonstrates the true purpose in joining a jurisdiction-destroying defendant to a case.

* * *

Removal is governed by a complex interplay of statutory provisions, the Federal Rules of Civil Procedure and requirements that have developed through interpretive case law. Managing these requirements and staying abreast of the various procedural and substantive requirements of removal is certainly the job of outside counsel. Nevertheless, like any aspect of a case, developing removal strategy is a collaborative effort between client and counsel. Clients can offer important insights into the parties, their relationship to one another and their connection to the forum. In serial lawsuits, such as mass tort litigation, clients likely have an understanding of how similar cases have proceeded and how other members of their industry have fared in such cases. Topics pertinent to removal should always be considered as part of an early case assessment and revisited throughout the case, particularly within the first year of a case.

An order remanding a case to State Court is not appealable, so the stakes are high. Ensuring that a Notice of Removal complies with all statutory requirements, provisions of the Federal Rules and any local rules and meets the standards set by federal forum is critical and your removal strategy must be developed early, given the tight time requirements for filing a Notice of Removal.

The Removal Road Trip: Plotting the Best Course with Your Client

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The Removal Road Trip: Plotting the Best Course with Your Client

Grounds for Removal

A defendant may remove "any civil action brought in a state court of which the district courts of the United States have original jurisdiction" to "the district court of the United State for the district and division embracing the place where such action is pending…"

Grounds for Removal

- Diversity of Citizenship:
  - "matter in controversy exceeds the sum or value of $75,000, exclusive of interests and costs…"
- Federal Question:
  - Constitution
  - Laws
  - Treaties

Exceptions to Removal

- Forum Defendant Rule prohibits removal where a named and served defendant is a "citizen of the state in which such action is brought…."
- An action may not be removed more than one year from commencement
- Removal statutes are strictly construed

Grounds for Removal

Grounds for Removal

- Removal within 30 days
- Consent of all Defendants required
- Filing of Notice in State Court
- Local Rules may also govern

Recent Issues in Removal Practice

Attorneys for Defendant
DONALD J. TRUMP

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

STEPHANIE CLIFFORD a.k.a. STORMY DANIELS a.k.a. PEGGY PETERSON, an individual,

Plaintiff,

v.

DONALD J. TRUMP a.k.a. DAVID DENNISON, an individual, ESSENTIAL CONSULTANTS, LLC, a Delaware Limited Liability Company, and DOES 1 through 10, inclusive,

Defendants.

Case No. 2:18-CV-02217

[Removal from Superior Court of California, County of Los Angeles, Case No. BC696568]

JOINDER OF DEFENDANT DONALD J. TRUMP IN NOTICE OF REMOVAL OF ACTION BY DEFENDANT ESSENTIAL CONSULTANTS, LLC

Action Filed: March 6, 2018

Removal Before Service

Removal before service of a forum defendant may defeat remand:

- "The specific purpose of the joined and served requirement has been read to prevent a plaintiff from blocking removal by joining as a defendant against whom it does not intend to proceed and who it does not even serve."

Cheung v. Bristol-Myers Squibb Co., *et al.*, 2017 WL 4570792 (S.D.N.Y. Oct. 12 2017).

Removal Before Service

- Plaintiffs argued for a "meaningful chance" to serve before case could be removed and called pre-service removal "gamesmanship."
- Court found "plain reading" of the statue allows for removal before service of forum defendant.

Cheung v. Bristol-Myers Squibb Co., *et al.*, 2017 WL 4570792 (S.D.N.Y. Oct. 12 2017).

Consent of All Defendants

"[A]ll defendants who have been properly joined and served must join in or consent to the removal of the action."

28 U.S.C. § 1446(b)(2)(A).

Consent of All Defendants

Majority view:

Unanimity requirement is satisfied where the removing defendant states the consent of the co-defendant and authority to do so.

Consent of All Defendants

Majority view:

- Rule 11 governs Notice of Removal
- Statute is silent on form of consent
- Consent requirement protects defendants

Consent of All Defendants

Minority view:

A non-removing defendant must join in the removal or file a separate consent.

Consent of All Defendants

Minority view:

- Parties may not speak for each other
- Statute requires "some form of unambiguous consent" by all defendants
- Removal statutes construed against federal jurisdiction

Removal after Service of Other Paper

"[A] notice of removal may be filed within thirty days after receipt by the defendant, through service or otherwise, of a copy of an amended pleading, motion, order or other paper from which it may first be ascertained that the case is one which is or has become removable."
28 U.S.C. § 1446(b)(3)

Removal after Service of Other Paper

Morgan v. Huntington Ingalls, (5th Cir. 2018):

- "[T]he information giving notice of removal must be contained in a writing."
- "[I]t is counterintuitive to start the [30 day] clock before obtaining the very evidence the defendant will rely upon to support removal."
- Until the basis for removal is memorialized in the record and served, the clock is not ticking.

Fraudulent Joinder

- No reasonable basis or colorable ground supporting the claim against the joined defendant, or
- No real intention in good faith to prosecute the action against the defendant or seek a joint judgment.

Fraudulent Joinder

Bentley v. Merck & Co., (E.D. Pa. 2017):

- Plaintiffs from four states
- Named a Pennsylvania Merck employee
- Same attorneys filed prior actions in Federal Court without forum defendant

Fraudulent Joinder

"[T]he only reason plaintiffs have joined [the diversity-destroying employee] as a defendant is to defeat this court's subject matter jurisdiction and that they have no real intention in good faith to prosecute these actions against her to judgment. We reach this compelling finding in light of the stipulation of dismissal of [the employee]…in the other similar cases where the same counsel represents all the plaintiffs."

Considerations

- Time is of the Essence
  - Assess removal upon service
  - Include venue, forum and jurisdiction in early case assessment
  - Collect documents and information in support of removal
  - Identify witnesses/affiants

Considerations

Determine basis for removal:

- Claims asserted and facts pled
- Parties named and to be joined
- Outcome of similar cases / same counsel

Considerations

- Weigh pros and cons of competing jurisdictions:
  - Bench
  - Rules
  - Case Management
  - Outcome of anticipated motion practice

Considerations

Collier v. SP Plus Corp., (7th Circuit, 2018)

- Motion for lack of subject matter jurisdiction granted
- Seventh Circuit: lack of subject matter jurisdiction requires remand, not dismissal or ruling on the merits
- Seventh Circuit found defendant's "dubious strategy has resulted in a significant waste of federal judicial resources, much of which was avoidable."

STEPHEN J. FINLEY, JR.

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Mr. Finley is a litigator who dedicates his practice to the defense of cases involving wrongful death, catastrophic personal injury, and major property loss. He defends companies involved in complex litigation, including multidistrict litigation, mass tort litigation, class action lawsuits, and serial lawsuits. A frequent author on emerging issues in products liability law, he has represented defendants facing novel products liability claims, such as publishers and patent holders. He has been selected to the Pennsylvania Super Lawyers Rising Stars list annually since 2010.
In addition to his product liability practice, Mr. Finley handles the prosecution and defense of commercial matters, including breach of contract disputes and business tort claims.

Mr. Finley is a member of the firm's E-Discovery Task Force and regularly publishes regarding developments in this area of the law.

While in law school, Mr. Finley was an intern in the Chambers of the Honorable Jacob P. Hart, United States Magistrate Judge for the Eastern District of Pennsylvania. He also served as Co-Editor-in-Chief of the Villanova Journal of Catholic Social Thought and was President of the St. Thomas More Society. As an undergraduate, Mr. Finley served as a staff intern in the White House Office of Faith-Based and Community Initiatives during the Bush Administration.

Mr. Finley is frequently called to represent the interests of defendants in complex products liability matters in the state and federal courts in Pennsylvania and New Jersey. He represents manufacturers and distributors of petrochemicals, pharmaceuticals, medical devices, industrial equipment, construction tools, building materials, juvenile products, and consumer goods. He has also defended the interests of non-traditional defendants in products liability cases, such as publishers and patent holders.

He also represents defendants in toxic tort litigation, such as those involving claims of exposure to asbestos, benzene, silica, polychlorinated biphenyls, and polyvinyl chloride.

Services
- Commercial & Criminal Litigation
- Electronic Discovery & Information Management Counseling
- General Products
- Pharmaceutical & Medical Device
- Products Liability

Honors and Awards
- Listed among The Legal Intelligencer's "Lawyers on the Fast Track," 2017
- Selected to the Pennsylvania Super Lawyers Rising Stars list, Personal Injury Products: Defense

Education
- Villanova University School of Law (J.D.)
- Catholic University of America (B.A.)

YOUR MIND IS PLAYING TRICKS ON YOU: STRATEGIES TO COMBAT IMPLICIT BIAS

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Your Mind IS Playing Tricks on You: Developing Strategies to Combat Implicit Bias
Kathryn Hannen Walker

What is Implicit Bias?

> "Ultimately, we believe our decisions are consistent with our conscious beliefs, when in fact, our unconsciousness is running the show." Howard Ross, Proven Strategies for Addressing Unconscious Bias in the Workplace, 2008, p. 11

Implicit or unconscious bias, also referred to as implicit social cognition, refers to the beliefs and stereotypes that reside deep in a person's subconscious mind that, without any thought, affect a person's decisions, how he/she interacts with others, and how he/she views the world. While related, these are not the known biases or prejudices that a person may carry, which are often the root cause of blatantly obvious and offensive discriminatory behavior. Rather, these are the deeply rooted beliefs that are activated without any effort, awareness or intent and are triggered almost instantaneously. Significantly, a person's implicit bias may directly contradict a person's sincerely held belief system.

Implicit bias is pervasive and fundamentally human. Good and well-intentioned people are profoundly biased and make decisions every day based on these biases. However, like fingerprints, everyone's implicit biases differ. Moreover, not all implicit bias is negative or harmful. A good example of this is height in men. While fewer than "15% of American men are over six feet tall…almost 60% of corporate CEOs are over [this height]. Less than 4% of American men are over six feet, two inches, yet more than 36% of corporate CEOs" are taller. Ross, Proven Strategies, pg. 1. In America, there is a strong favoritism for tall men who are viewed as "powerful," "smart" and "hardworking."

Moreover, people tend to reflexively trust and have immediate positive associations about those who are most like them so when a person's implicit bias registers another person as a member of his or her "in-group," that person likely feels a sense of relative favoritism over someone who differs from him or her. Studies have shown that in the NBA, white referees tend to call more fouls on African-American players and African-American referees tend to call more fouls on white players. However, researchers have also discovered that regardless of race, many Americans possess a pro-white/anti-African-American bias, and regardless of gender, possess a pro-male/anti-female bias.

In a sense, our implicit biases are essentially "mental shortcuts" that our brains use to quickly process information and avoid having to think about every detail that hits our brains. Studies have shown that the busier a person's brain gets, the more likely he/she is to rely upon implicit biases to process information. (Reskin, 2005, p. 34). By

way of another (and in this instance harmless, but perhaps costly) example, the team that developed the YouTube app for Apple products initially built the app so if a person recorded it from a left-handed person's landscape-view, his or her videos were upside-down—something that could easily occur if nobody on the team was thinking about or testing the app from a lefty's perspective and they were pressed for time.

Given the impact of race in American history, much of the scholarship relating to implicit bias has focused on the implicit bias of white Americans as it relates to African Americans. However, there are numerous implicit biases that people carry and are triggered by interactions with others who have a different gender identity, religion, nationality, citizenship (or lack thereof), sexual orientation, class, accent, weight, age, disability, skin tone, physical appearance, etc. It should be noted that while these materials have been prepared from an American perspective, implicit bias differs from location to location. If you are a part of a multi-national corporation or law-firm, the implicit biases found in one country or region will very likely differ from another.

Given the pervasiveness and unconscious nature of implicit bias, its effects are wide-spread—sometimes subtle and harmless and other times overt and dangerous. What follows are some examples gleaned from studies:

- Non-white students are more likely to be suspended or expelled than their white counter-parts—even when the infractions are identical.
- Applicants with white-sounding names are 50% more likely to be called for an initial interview than those with an African-American-sounding name—even when the ONLY difference on the resume is the name.
- Science professors widely view female undergraduates as less competent than their male counterparts—even if they are similarly situated in terms of skill and achievement.
- Women and minority judges scored noticeably lower in judicial retention polls versus male or white judges—even when controlling for other factors.

Why does implicit bias matter for lawyers—both in law firms and as in-house attorneys? As employers, firms and companies strongly want to recruit, promote and retain the best talent. As providers of legal services, clients—many of whom work for companies that have engaged in extensive de-biasing efforts—are demanding that law firms mirror an ever-increasingly diverse population. As officers of the Court, we have an obligation to strive towards improving our justice system so it is fair and impartial. As advocates for our clients, it is critical to be aware of our messaging so it is effective to judges, juries and opposing counsel—who may or may not look like us.

Despite the fact that bias is a natural human tendency, biases and human brains are malleable—implicit bias can be addressed and mitigated. Many individuals and institutions have sought to create a culture where biases are recognized. What follows are a number of practical ways to deal with implicit bias—both on the individual and institutional level.

1. Recognize that you (and everyone around you) is biased. Given the deep-rooted nature of bias, it may be difficult to detect one's own biases; however, begin to pay attention to your thoughts and actions and you will likely begin to identify your own biases in real time. How do you react to individuals as you are walking down the street? How do you assign and evaluate projects in your practice? Who are you promoting and mentoring?

To the extent you want to explore further, there are a number of online resources that have tests that will help you identify bias. The most well-known one is the Implicit Association Test or IAT, which is found at https://implicit.harvard.edu/implicit/takeatest.html. It has been taken by millions of people and "measures the strength of associations between concepts." You may be surprised at the results.

2. Once you have identified your biases, be intentional in how they "play out" in the world. If necessary, fix your biased behavior. Once you are aware of your biases, be mindful of how they may affect others. For example, in the professional context, pay attention to how you assign work and the opportunities that you are providing to colleagues. You may find that you routinely provide someone who is more like you the prime work, while

giving another attorney the "back office" or more routine work. Consider alternate perspectives and engage in deliberative processes.

3. Step outside your comfort zone. An effective de-biasing technique is to develop new associations that contrast with your implicit biases. Social scientists refer to this as "intergroup contact." Simply by spending positive time with people who are outside of your "in group" will help reduce one's bias towards them.

4. When you see biased behaviors, address it. Be an active bystander. This does not mean becoming the "bias police," but once you become aware of your own biases, you will begin to see bias at play around you. To the extent someone makes a biased comment in your presence, use it as an opportunity to educate the person on bias. The more that people openly discuss biased behaviors, the better.

To the extent that your firm or company has undergone implicit bias training and everyone has an understanding of the issue, seek to openly discuss systems, processes and communications when unconscious bias is identified.

5. Training. While there are many measures that an individual can take to mitigate his/her own unconscious biases, to deal with this issue on a macro-level, institutions are turning to training programs as one element of a larger program. Training without anything else, will produce few measurable results and may do more harm than good; however, a thoughtfully designed training program combined with other structural elements, can be very effective. Starbucks recently made headlines by closing all of its stores early one day to conduct bias training after a much-publicized event where two African-American men were arrested at one of its stores. Until Starbucks, Google had one of the most publicized corporate implicit bias training programs, with its presentation publicly available on YouTube. Companies have found that trainings have been helpful, but it is important that biased behaviors aren't simply normalized. Rather, the trainings must also offer strategies to manage bias and explain why it is important to do so. Effective training programs must also be tailored to the organization and focus on workplace situations so it is relevant to your firm or company.

6. Create systems within your company or firm that seek to remove bias. While training is one component, structural change is critical. Audit your entity's employment processes—such as resume screening, interview questions and evaluation, hiring decisions, evaluations, assignments, promotions, salary and bonus decisions, mentoring, training, etc. Look for instances where implicit bias can unfairly affect your workforce and find a way to remove the bias.

Your Mind IS Playing Tricks on You: Developing Strategies to Combat Implicit Bias

Kathryn Hannen Walker

BASS BERRY + SIMS

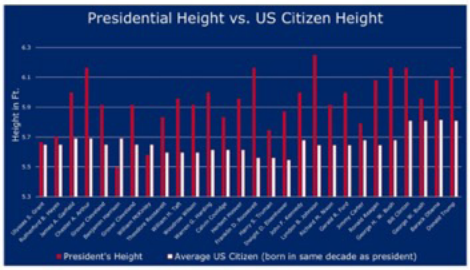
Implicit Bias

"Ultimately, we believe our decisions are consistent with our conscious beliefs, when in fact, our unconsciousness is running the show."

Howard Ross, *Proven Strategies for Addressing Unconscious Bias in the Workplace*

What is Implicit Bias?

Presidential Height



- Ronald Regan: 6' 1"
- George H.W. Bush: 6' 2"
- Bill Clinton: 6' 2"
- George W. Bush: 6' 0"
- Barack Obama: 6' 1-1/2"
- Donald Trump: 6' 3"

Race & Fouls in NBA

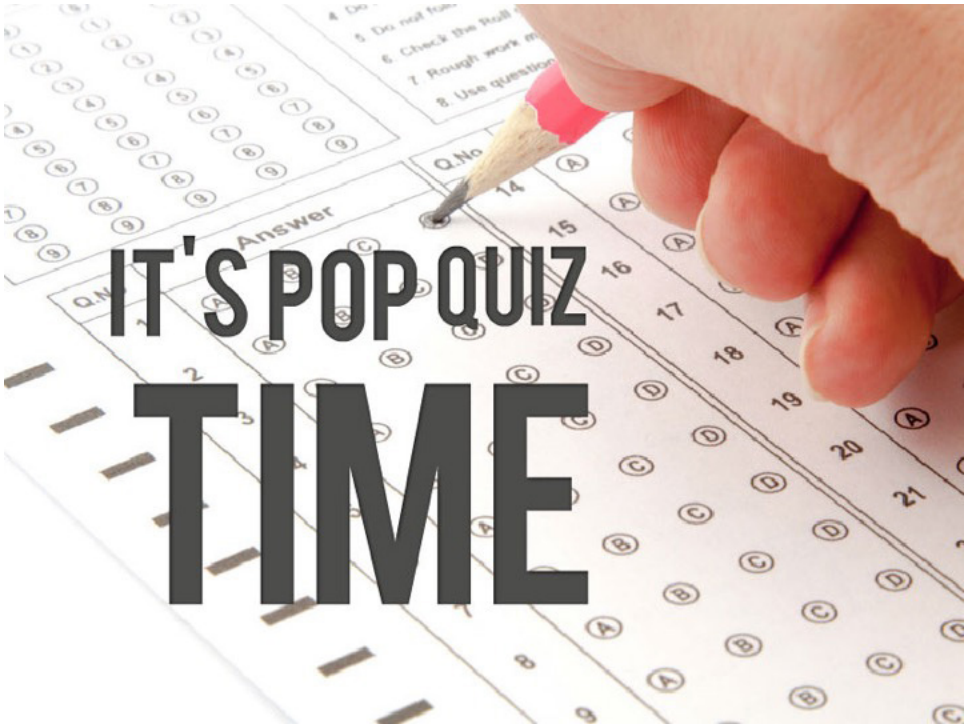
Mental Shortcut

Categories of American Implicit Bias

- Race
- Gender
- Sexual orientation
- Sexual identity
- Age
- Class
- Physical ability
- Physical appearance
- Accent
- Country of origin
- Religion
- Regional accents

Real World Examples

- Applicants with “white-sounding” names are 50% more likely to receive a call back interview than those with “African-American” sounding names
- Women & minority judges scored noticeably lower in judicial retention polls vs. male or white judges
- Science professors widely view female undergraduates as “less competent” than male counterparts



Harvard Law School Graduate?

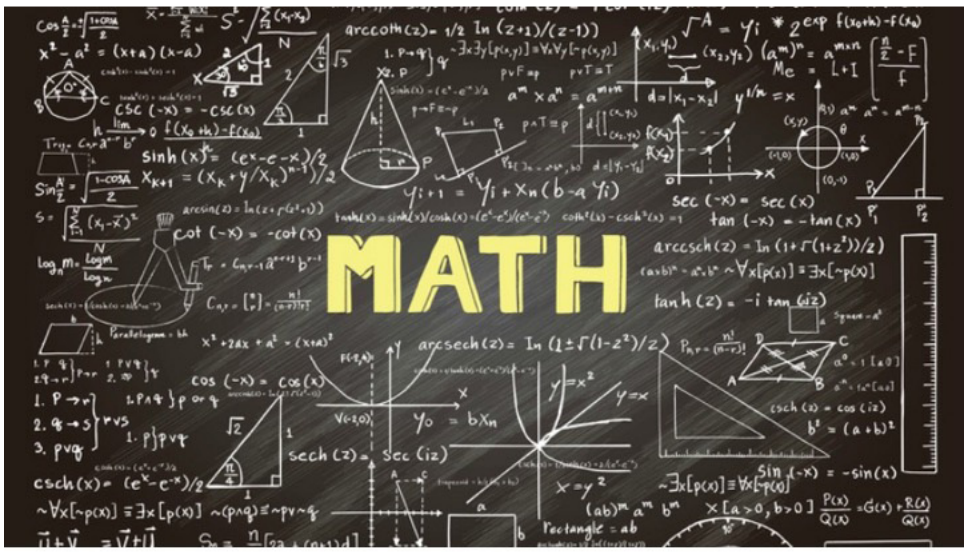
HARVARD
LAW SCHOOL

David Otunga

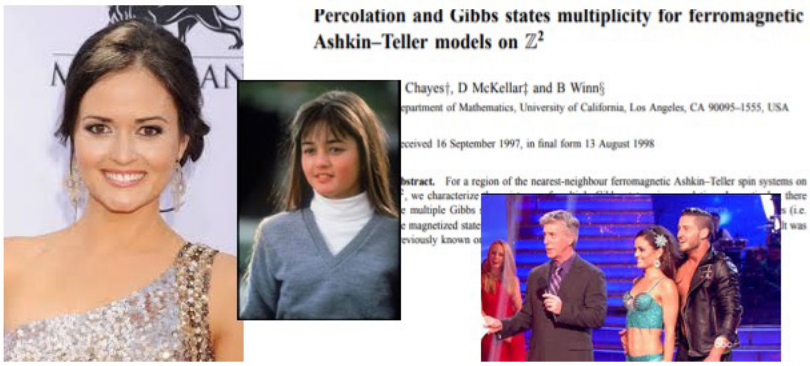
Harvard Law School Class of 2006

Sidley & Austin Clerk & Associate

Mathematician?



Danica McKellar



Percolation and Gibbs states multiplicity for ferromagnetic Ashkin–Teller models on $\mathbb{Z}^2$

Chayes†, D McKellar‡ and B Winn§

epartment of Mathematics, University of California, Los Angeles, CA 90095–1555, USA

ceived 16 September 1997, in final form 13 August 1998

bstract. For a region of the nearest-neighbour ferromagnetic Ashkin–Teller spin systems on , we characterize there e multiple Gibbs s (i.e. e magnetized state It was eviously known o

- Internationally-recognized mathematician
- Co-author of ground-breaking mathematical physics theorem that bears her name The Chayes-McKellar-Winn Theorem

Why does it matter?

Practical Solutions to Combatting Bias

#1: Recognize That You (and Everyone Around You) is Biased

- Identify your own biases
  - Be honest
  - Test yourself
  - You might be very surprised

#2: Be Intentional

- Be intentional in how your biases "play out" in the real world:
  - How do you assign work?
  - Who do you refer to as "superstar"?
  - With whom do you have lunch? Casual chats?

#3: Step Outside Your Comfort Zone

- Develop new associations that contrast with your implicit biases
- Engage in "intergroup contact"

#4: Be An Active Bystander

- If you see something, say something
  - Use as an opportunity to educate

#5: Training

- Thoughtfully designed program
  - Initial step in on-going discussion
  - Tailor to organization

#6: Create Systems that Remove Bias

- Structural change is critical
  - Consider audit to identify your organization's "blind spots"

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Kathryn serves as assistant chair for the Litigation & Dispute Resolution Practice Group. Her practice focuses on complex commercial litigation and internal investigations, including international investigations. Kathryn has represented U.S. and foreign clients in jury and bench trials, mediations and arbitrations. She has extensive experience in data management and e-discovery, leading massive electronic data analysis projects in high-stakes litigation and investigations.

Prior to attending law school, she was an art historian and art curator with a specialty in Contemporary American Art and 19th Century British Art.

Related Services

- Litigation & Dispute Resolution
- Business Disputes
- Foreign Corrupt Practices Act (FCPA)
- Intellectual Property & Technology
- Compliance & Government Investigations
- Electronic Data & Technology
- Intellectual Property Litigation
- Privacy & Data Security
- Healthcare Disputes
- Corporate Governance

Publications

- Kathryn Walker, Anthony McFarland and Lucas Smith Author an Article About the Impact of Technology for The National Law Journal - August 22, 2011

Accolades

- Best Lawyers in America® — Commercial Litigation (2015-2018)
- Leadership Council on Legal Diversity (LCLD) — 2013 Fellows Program
- Nashville Business Journal “Best of the Bar” (2008)
- Vanderbilt Law Review — Executive Editor
- Phi Beta Kappa
- Presidential Scholar
- Henry Luce Fellow Finalist

Education

- Vanderbilt Law School - J.D., 2000 - Order of the Coif
- Vanderbilt University - M.A., 1995
- Augustana College - B.A., 1993

ETHICS: ETHICAL ISSUES IN E-DISCOVERY

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Ethics in E-Discovery: Ten Steps to Demonstrate Competency and Candor with Respect to E-Discovery Obligations
Todd Ohlms

Rule 1.1 of the Model Rules of Professional Conduct has long provided that, "A lawyer shall provide competent representation to a client." That rule goes on to define competent representation to include the "legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation." In September, 2013, the American Bar Association modified the comments to Rule 1.1 to provide, "To maintain the requisite knowledge and skill, a lawyer should keep abreast of the changes in the law and its practice, including the benefits and risks associated with relevant technology." Since then, many courts have found that a lawyer's duty of competence includes electronic discovery ("E-Discovery").

While this language does reflect the first time the comments to Rule 1.1 have mentioned technology, it does not provide a lawyer much in the way of practical guidance to determine whether they are practicing in compliance with Rule 1.1.

However, the California Bar has provided some specific guidelines with respect to E-Discovery technical competence. Specifically, using federal case law as its foundation, California State Bar Option No. 2010-179 identified nine E-Discovery skills that a lawyer is required to develop or acquire (through education, training or association with a competent professional) in order to handle a case involving discovery of electronically stored information ("ESI"). This article discusses those nine skills as applied to both in-house lawyers and outside counsel. This article also addresses the duty of candor to the Court in the context of the exchanges that often occur between both in-house and outside counsel regarding a party's ESI and efforts taken to preserve, collect and produce it in litigation.

Ten Steps of E-Discovery Competence and Candor

1. Assess E-Discovery Needs

Believe it or not, some counsel still believe that collection and preservation of ESI is not something that is necessary. Our firm once served as successor counsel to an AMLaw 100 firm that had filed a trademark infringement case in federal court on behalf of a client we shared. Two years into the litigation, the client called concerned about the other firm's performance and asked us to review their work. Two hours into an in-person interview, we learned that, despite filing the trademark infringement suit in federal court long after the Federal Rules of Civil Procedure had been amended to require E-Discovery, the firm had not made any effort to put a litigation hold in place, collect ESI from the client, much less preserve it. Similarly, we frequently litigate against opposing counsel who believe that

simply printing off certain "key" emails (determined in their opinion) and providing PDF electronic copies of those electronic documents suffices.

Assessing E-Discovery needs should always include the following considerations:

(a) the dollar value of the case or the value of the claims or equitable relief sought if the monetary value is de minimis or is not part of the relief requested;

(b) comparing that perceived value to the cost of E-Discovery;

(c) identification of the relevant time period as a methodology to reduce the volume of data collected, processed, analyzed and searched;

(d) identification of the types of data (e.g., media files, special engineering files or drawings) to be collected, processed, analyzed and searched;

(e) identification of what data is reasonably accessible; and

(f) pursuant to Rule 26 of the Federal Rules of Civil Procedure or any applicable state law equivalents, analyzing the proportionality of (i) the costs involved in what counsel believes is a reasonable E-Discovery process to (ii) the value of the dispute.

Counsel's efforts with respect to these considerations should be documented should an opponent or Court inquire later regarding this initial step. It is important to note that a failure to thoroughly perform this first step will taint the rest of the process and provide a basis for an opponent, Court or client to challenge counsel's competence.

2. Learn Your Client's IT Systems

While few lawyers have been formally educated regarding information technology ("IT") systems, a lawyer's duty of competency requires her to learn about her client's IT systems or associate with someone who has such knowledge. Those systems will be implicated in decisions regarding ESI preservation and appropriate litigation hold steps. An understanding of such systems (or association with a professional who has such an understanding) is a prerequisite to the lawyer's ability to work with the client's IT staff to take appropriate steps to stop the automatic deletion of ESI in the client's various IT systems. One way to demonstrate proficiency in this particular skill is to work with the client's IT staff to create a data map, and before every ESI collection/preservation, confirm with the client's IT staff that the data map is current.

3. Identify Custodians

Once litigation is reasonably anticipated, in-house and outside counsel should work together to identify the appropriate custodians given the nature of the dispute. In the absence of in-house counsel, outside counsel should work with the client's executive team or human resources to identify the appropriate custodians. Similar to the skill discussed in item 1, this step is important because a failure to initially identify a custodian could result in the failure to preserve that custodian's ESI.

The number of custodians will have a significant impact on the costs of ESI preservation, collection, analysis and production. One way to reduce cost and minimize the risk of leaving a custodian off is to negotiate the number and identity of custodians with opposing counsel.

4. Implement ESI Preservation and Litigation Hold

Most lawyers believe that this skill is easy to accomplish – simply instruct a client's appropriate custodians (in writing) to not delete any ESI related to the dispute. While that is certainly part of this skill, it is by no means an exhaustive summary of the skill. Instead, as noted above, in performing this skill, a competent lawyer should have an understanding of her client's information technology ("IT") ecosystem and have worked with the client's executive team or in-house counsel to identify appropriate custodians. Assuming counsel has met these two prerequisites, they should identify specific preservation steps that should be taken with respect to the various categories of ESI (e.g., emails, loose electronic files, system drives). Proficiency in this skill also involves counsel periodically following up with the custodians to ensure compliance with the litigation hold memorandum.

Finally, besides ensuring that their own house is in order with respect to ESI preservation and collection, counsel can also take steps to communicate with

opposing counsel to confirm (in writing) that they have taken appropriate steps with their own client to preserve ESI.

5. Advise Your Client Regarding Available Options for E-Discovery

At this point, counsel should have identified the appropriate custodians and systems that contain ESI that will need to be preserved, collected, analyzed and possibly produced in the dispute. These parameters will help establish an estimated cost for the E-Discovery services. Counsel should be prepared to discuss the scope of preservation and the concept of proportionality at the Rule 26(f) conference. In advance of doing so, counsel should discuss with the client the available options for E-Discovery in the dispute. They can range from internal services at a large corporation, an outside vendor, or their outside counsel's services. If the client's internal services are used to collect ESI, counsel should supervise their efforts in case there is a subsequent dispute about the nature, extent and quality of those services. Competent counsel advise their clients regarding the available options and take those costs into account in analyzing proportionality with both opposing counsel and the Court.

6. Collect ESI in a Forensically Defensible Manner

Under the Federal Rules of Civil Procedure and most state law equivalents, a requesting party has the right to request the format in which ESI will be produced and received in E-Discovery. A responding party generally has the right to object to such requests as well. Before collecting ESI, counsel should ensure that the manner of collection is consistent with the eventual production specifications and conducted in a manner that preserves metadata (the information about the data being collected and potentially produced such as the data of creation, author, revision history, etc.)

7. Make Recommendations Regarding Iterative Searching or TAR

Once the ESI has been preserved and collected, counsel should perform iterative searches with proposed search terms to identify what search terms will generate a reasonable amount of data to be reviewed for privilege and responsiveness. Often times seemingly obvious search terms will generate large amounts of potentially responsive documents because the search term is contained in form documents or email trailers. Counsel should work with their client to identify potential search terms to use on their own dataset and the ESI collected by their opponent. More often than not, it will not be appropriate to use the search terms for each party's dataset.

In larger disputes, counsel should consider the use of technology assisted review ("TAR") as opposed to search terms. In TAR, counsel generate a representative seed set of relevant documents that used to train a machine to perform searches of a much larger dataset.

Before counsel can advise their client regarding their options for searching for responsive document, they must be familiar with these different procedures and the pro's and con's with respect to the specific dispute at hand.

8. Prepare for and Conduct a Productive Rule 26(f) Conference

Unless both sides involved in the Rule 26(f) conference have sufficient technical competence in E-Discovery issues, the conference is not likely to produce meaningful results. Besides ensuring that counsel with the requisite technical competence participates on behalf of both sides, in advance of the conference, counsel should have discussed the issues likely to arise at the conference with their client and be prepared to negotiate those issues. Leaving issues unresolved is only likely to generate satellite disputes throughout discovery. Besides the additional costs of such disputes, unresolved ESI issues also can create uncertainty and potential risk for the client with respect to their E-Discovery efforts.

9. Produce Non-Privileged Responsive ESI in an Appropriate Manner

This particular skill refers to collecting, processing and producing ESI consistent with the agreed-upon or designated specifications. Doing so will allow the parties and the tribunal to avoid disputes over not what data was produced, but how it was

produced. Counsel should consider including these specifications in the parties' Rule 26(f) report so that there is no confusion as to the appropriate specifications. Counsel should also be competent in assisting their client gain access to the ESI database or software used so that they can be involved in identifying important documents for use in other parts of discovery such as depositions and eventually trial.

10. Remember Your Duty of Candor

Rule 3.3 of the Model Rules of Professional Conduct prohibit a lawyer from knowingly making a "false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the lawyer."

Often a tribunal will discuss E-Discovery issues, including a client's ESI and IT systems with counsel during scheduling or discovery conferences. Frequently, the client's IT staff and even in-house counsel are not present at such conferences. As a result, outside counsel are often the recipients of the tribunal's questions regarding their client's IT systems, ESI and related issues. Counsel should be cognizant of their duty of candor owed to the tribunal in discussing such issues.

Conclusion

Technology will continue to be a significant driver in the provision of legal services. Both in-house and outside counsel have a responsibility to their clients to competently provide their services which include numerous identifiable skills related to E-Discovery. Counsel also have a separate duty of candor to the tribunals before whom they practice, and they should be able to candidly discuss facts and issues related to E-Discovery.

Rule 1.1 of the Model Rules of Professional Conduct

"A lawyer shall provide ***competent representation*** to a client."

- legal knowledge;
- skill;
- thoroughness; and
- preparation
- "reasonably necessary for the representation."

Rule 1.1 of the Model Rules of Professional Conduct

The ABA modified the comments to Rule 1.1 to provide:

> "To maintain the requisite knowledge and skill, a lawyer should keep abreast of changes in the law and its practice, ***including the benefits and risks associated with relevant technology***."
>
> Since then, many courts have found that a lawyer's duty of competence includes E-Discovery.

3

Competence in E-Discovery

But what does competence in E-Discovery mean?

California State Bar Opinion No. 2010-179

- used federal case law as its foundation;
- identified 9 E-Discovery skills that a lawyer is required to develop or acquire…
- …in order to handle a case involving discovery of electronically-stored information ("ESI").

Ten Steps of E-Discovery Competence and Candor

1. Assess E-Discovery Needs – Always Identify:

- The dollar value of the case or the value of the equitable relief sought;
- The anticipated cost of E-Discovery;
- The relevant time period to reduce cost;
- The types of data to be collected; and
- What data is reasonably accessible.

Ten Steps of E-Discovery
Competence and Candor
2. Learn Your Client's IT Systems

- Learn about your client's information technology ("IT") systems;
- Or associate with someone who has such knowledge;
- Work with IT staff to create a data map and keep it updated; and
- Be aware of any legacy systems and their potential impact on E-Discovery collection costs.

Ten Steps of E-Discovery
Competence and Candor
3. Identify Custodians

- In-house and outside counsel should partner to identify the custodians;
- No in-house counsel? C-suite or HR;
- Consider negotiating number of custodians with opponent.

Ten Steps of E-Discovery Competence and Candor

4. Implement ESI Preservation and Litigation Hold

- Identify specific preservation steps;
- Use written litigation hold memorandum;
- Calendar follow up meetings/discussions with custodians;
- Confirm opposing counsel is doing the same.

Implement ESI Preservation and Litigation Hold

Sloan Valve Company v. Zurn Industries LLC, (N.D. Ill., No. 10-cv-204, 5/23/12)

- Zurn searched over file names, not file contents across shared servers and employee folders;
- Boolean searches were done by outside counsel using "visual inspection;"
- Litigation hold was not sent to a number of key individuals and some who received the hold were unaware what the hold meant and continued to delete e-mail as they normally would;
- Zurn ordered to repeat extensive searches of electronic databases and submit declarations detailing past searches, litigation holds and preservation measures.

Ten Steps of E-Discovery
Competence and Candor
5. Advise Your Client Regarding Available Options

- Vendor pricing model
  - Per unit charge (GB, Document, Page)
  - Per GB charge for processing and hosting
- Law firm using vendor pricing model
  - Per unit charge (GB, Document, Page)
  - Per GB charge for processing and hosting
- Law firm using a client-focused pricing model
  - Hourly rates for para-professionals
  - No hosting charge

Ten Steps of E-Discovery
Competence and Candor
6. Collect ESI in a Defensible Manner

- Production Specifications designated by opponent?
- Preserve metadata

Ten Steps of E-Discovery
Competence and Candor
7. Iterative Searches or TAR?

- Iterative searching – what generates a reasonable amount of preproduction data
  - Do any search terms preclude any categories of documents?
- Technology Assisted Review ("TAR")

Ten Steps of E-Discovery
Competence and Candor
8. Prepare for Rule 26(f) Conference

- Relevant time period;
- Custodians;
- Search terms;
- Production/delivery specifications;
- Any data that is not reasonably accessible;
- Privilege clawback; and
- Ascertain fluency of opposing counsel in E-Discovery

Ten Steps of E-Discovery
Competence and Candor
9. Produce Non-Privileged Responsive ESI Appropriately

- Use agreed-upon production specifications;
- Run privilege search terms to quality control production prior to delivery to opposing counsel.

Ten Steps of E-Discovery
Competence and Candor
10. Remember YOUR Duty of Candor

Rule 3.3 of the Model Rules of Professional Conduct prohibit a lawyer from knowingly making a "false statement of fact or law to a tribunal" or failing "to correct a false statement of material fact or law previously made to the tribunal by the lawyer."

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Todd Ohlms is a Partner in the Litigation Practice Group and is Co-Leader of the Commercial Litigation Team and the Private Equity and Venture Capital Industry Group, as well as a member of the Emerging Technologies Industry Team.

His practice involves advising and representing clients on their business-critical litigation matters. He has substantial experience in actions involving temporary restraining orders, preliminary injunctions and in the substantive areas of intellectual property, fiduciary litigation, securities and shareholder litigation, antitrust and trade regulation and complex/multi-jurisdictional disputes.

In addition, Todd has extensive experience in creating and implementing electronic discovery strategies and protocol for clients. Since 2006, he has actively participated in the Firm's development of its own in-house E-Discovery Lab, which clients use to dramatically reduce their costs associated with identifying, collecting, analyzing, and producing electronic discovery information in disputes.

He is often retained by private equity firms to counsel their portfolio companies on a wide range of matters and is frequently selected to serve as outside general counsel to their portfolio companies. Todd has frequently spoken regarding uses to help portfolio companies implement litigation avoidance strategies and address other legal challenges while simultaneously managing the cost of their legal services. He has also represented clients involved in disputes over family owned enterprises where sensitive and complex relationships often play as large a role in determining the result as the actual legal theories at issue.

Todd is admitted to practice before numerous federal district courts and has participated in legal proceedings across the United States as well as in Asia and Europe. Throughout his 21 years of practice, he has tried several cases to verdict before juries and the bench. He has also participated in numerous arbitration proceedings, including counseling clients regarding disputes subject to international arbitration agreements.

Practice Areas

- Family Offices
- Private Equity and Venture Capital
- Banking & Finance Litigation
- Litigation
- General Commercial Litigation

Honors and Awards

- Chicago Daily Law Bulletin and Chicago Lawyer – 40 Under Forty Illinois Attorneys to Watch – 2002
- Leading Lawyers - Commercial Litigation
- Illinois Leading Lawyers - 2018 (cited in multiple years)

Education

- J.D., Washington University in St. Louis School of Law
- B.S., University of Missouri, Rolla,Aerospace Engineering

ETHICS: SOCIAL MEDIA IN LITIGATION - OPENING PANDORA'S BOX

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Social Media and Legal Ethics
Duris L. Holmes

Forty years ago, lawyers had rotary dial telephones, they did their research in a library with real books, and if they wanted personal information on someone, they hired an investigator. Today, lawyers have access to more information through the cell phones in their pockets. With such great power comes great ethical responsibility.

There are over 2.07 billion active monthly Facebook users world-wide, with 1.37 billion of those people logging onto their accounts daily.[1] Every second, five new Facebook profiles are created, and every sixty seconds, 510,000 comments are posted, 293,000 statuses are updated, and 136,000 photos are uploaded.[2] There are over 695 million registered Twitter users tweeting on average 58 million times a day.[3] YouTube has over a billion users who each day watch a billion hours of video.[4] Instagram introduced the ability to post videos in June 2013, and within the first 24 hours, users uploaded 5 million videos.[5]

The proliferation of social media has turned trial lawyers into online investigators. As we stand at the crossroads, every lawyer should stop and consider how our ethical and professional standards both restrict and require online investigation. The following are common questions regarding online investigation and communication.

Are social networking sites potential sources of evidence for use in litigation?

The Association of the Bar of the City of New York Committee on Professional and Judicial Ethics, Obtaining Evidence From Social Networking Websites, Formal Opinion 2010-2 states:

> Lawyers increasingly have turned to social networking sites, such as Facebook, Twitter and YouTube, as potential sources of evidence for use in litigation. In light of the information regularly found on these sites, it is not difficult to envision a matrimonial matter in which allegations of infidelity may be substantiated in whole or part by postings on a Facebook wall. Nor is it hard to imagine a copyright infringement case that turns largely on the postings of certain allegedly pirated videos on YouTube. The potential availability of helpful evidence on these internet-based sources makes them an attractive new weapon in a lawyer's arsenal of formal and informal discovery devices. The prevalence of these and other social networking websites, and the potential benefits of accessing them to obtain evidence, present ethical challenges for attorneys navigating these virtual worlds.

1 This information is current as of as of September 2017 and represents 57% and 65% increases respectively from June 2014, shortly before the author began presenting on these issues. http://investor.fb.com/releasedetail.cfm?ReleaseID=842071.

2 http://zephoria.com/social-media/top-15-valuable-facebook-statistics/

3 http://www.statisticbrain.com/twitter-statistics/

4 https://www.youtube.com/yt/about/press/

5 https://www.cnet.com/g00/news/instagram-users-upload-5m-clips-in-vid-sharing-features-first-day/?i10c.encReferrer=aHR0cHM6Ly93d3cuYmluZy5jb20v

Does a lawyer have an obligation to investigate social media? If so, what is the scope of a lawyer's duty to investigate?

Rule of Professional Conduct 1.1 states: "A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation." The commentary to ABA Model Rule 1.1 provides that "[c]ompetent handling of a particular matter includes inquiry into and analysis of the factual and legal elements of the problem." Id., comment ¶ 5. "The history of Rule 1.1 notes that the rule and accompanying commentary was unchanged from the Rules' adoption by the ABA in 1983 through 2001. The commentary accompanying the 2002 amendments provides that the evaluation of evidence is "required in all legal problems." Bozeman v. Bazzle, 07-01344, at fn. 15 (D.S.C. 7/24/08) (citing Model Rules of Prof'l Conduct R. 1.1 cmt. ¶ 2 (2002)), 2008 WL 3850703, rev'd & remanded, 364 Fed.Appx 796 (C.A. 4 (S.C.) 2/9/10), cert denied, 131 S.Ct. 174, 178 L.Ed.2d 104 (2010). In 2012, Comment 8 to Model Rule 1.1 was amended to specifically address the issue of technology: "To maintain the requisite knowledge and skill, a lawyer should keep abreast of changes in the law and its practice, including the benefits and risks associated with relevant technology…." (emphasis added). At least 31 states have formally adopted the amended comment. See https://www.lawsitesblog.com/tech-competence/ (listing the adopting states and their rules).

West Virginia has specifically interpreted Rule 1.1 to apply to social media: "in order to comply with Rule 1.1 of the Rules of Professional Conduct, attorneys should both have an understanding of how social media and social networking websites function, as well as be equipt to advise their clients about various issues they may encounter as a result of their use of social media and social networking websites." Lawyer Disciplinary Board of W. Va., Social Media and Attorneys, L.E.O. 2015-02, at 6 (Sept. 22, 2015).

Rule of Professional Conduct 1.3 also states: "A lawyer shall act with reasonable diligence and promptness in representing a client." That duty has been interpreted in other states to include the obligation to undertake research and to collect documents to support or defend against the complaint. See Attorney Grievance Com'n of Maryland v. Patterson, 421 Md. 708, 737, 28 A.3d 1196 (Md. 9/21/11) (accepting as not clearly erroneous finding that Respondent violated Rule 1.3 when he "neglected to perform any kind of services or undertake research, to collect documents to support the complaint").

Have the courts recognized the failure to use technology as grounds for relief?

Litigation on this issue is not yet common, with courts only alluding to the issue. In State v. Hales, (Utah, 1/30/07), 152 P.3d 321, the Utah Supreme Court granted a defendant's claim of ineffective assistance of counsel because his attorneys failed to retain a qualified expert to examine CT scans of the victim's brain injuries. In support of that motion, the defendant attached an affidavit by a pediatric neuroradiologist interpreting the CT scans. The court found that an expert opinion consistent with that post-trial affidavit could have been obtained before trial, and stated in support of that conclusion: "In fact, the State noted in its argument on a separate point of appeal that Dr. Barnes's testimony did not meet the standard for new evidence because Dr. Barnes was a prominent physician in his field whom the defense could have discovered with a '30-second' search on 'Google'." Id., at 342.

In Johnson v. McCullough, 306 S.W. 3d 551 (Mo. 2010), a juror falsely denied that she was ever a litigant. After a defense verdict, plaintiff's counsel researched Case.net, the State of Missouri's equivalent of PACER, and found several cases involving the juror. The district court granted a new trial. The Missouri Supreme Court affirmed, noting that "in light of advances in technology allowing greater access to information that can inform a trial court about the past litigation history of venire members, it is appropriate to place a greater burden on the parties to bring such matters to the court's attention at an earlier stage." Id. at. 558-59. The Missouri Supreme Court Rules were changed to affirmatively require attorneys to conduct a review of Case.net before the jury is sworn.

Ironically, in Khoury v. ConAgra Foods, Inc., 368

S.W.3d 189 (Mo. Ct. App. 2012), the required Case.net search was performed, but then an empanelled juror had to be stricken anyway when the defendant's social media research revealed that the juror maintained a corporate blog called "The Insane Citizen: Ramblings of a Political Madman," which included statements such as "F— McDonald's." Id. The appellate court noted:

> Neither Johnson nor any subsequently promulgated Supreme Court rules on the topic of juror nondisclosure require that any and all research--Internet based or otherwise--into a juror's alleged material nondisclosure must be performed and brought to the attention of the trial court before the jury is empanelled or the complaining party waives the right to seek relief from the trial court. While the day may come that technological advances may compel our Supreme Court to re-think the scope of required "reasonable investigation" into the background of jurors that may impact challenges to the veracity of responses given in voir dire before the jury is empanelled--that day has not arrived as of yet. Id. at 193, 202-03.

Id. at 203-04.

May I access publicly available information on a party's social media page?

This is similar to obtaining information that is available in publicly accessible online or print media, or through a subscription research service, which is permitted. Therefore, an attorney can access publicly available social media so as long as the lawyer does not "friend" the other party or direct a third person to do so. New Hampshire Bar Association Ethics Committee Advisory Opinion #2012-13/05; San Diego County Bar Legal Ethics Committee, Legal Ethics Opinion 2011-2; New York State Bar Association, Committee on Professional Ethics Opinion # 843 (09/10/2010).

May I send a Facebook "friend" request to a party or witness?

Rule of Professional Conduct 4.2 states: "In representing a client, a lawyer shall not communicate about the subject of the representation with a person the lawyer knows to be represented by another lawyer in the matter, unless the lawyer has the consent of the other lawyer or is authorized to do so by law or a court order." This, of course, means that you cannot "friend" a represented party or witness. New Hampshire Bar Association Ethics Committee Advisory Opinion #2012-13/05.

May I accept a Facebook "friend" request sent to me by a plaintiff or a represented witness?

Comment 3 to ABA Model Rule 4.2 states: "The Rule applies even though the represented person initiates or consents to the communication. A lawyer must immediately terminate communication with a person if, after commencing communication, the lawyer learns that the person is one with whom communication is not permitted by this Rule."

May I send a Facebook "friend" request to an unrepresented third party without disclosing my true purpose for "friending"?

Rule of Professional Conduct 4.1(a) states: "In the course of representing a client a lawyer shall not knowingly… make a false statement of material fact or law to a third person." Comment 1 to ABA Model Rule 4.1 provides: "A lawyer is required to be truthful when dealing with others on a client's behalf, but generally has no affirmative duty to inform an opposing party of relevant facts." (emphasis added).

Rule of Professional Conduct 4.3 states, in pertinent part: "In dealing on behalf of a client with a person who is not represented by counsel, a lawyer shall not state or imply that the lawyer is disinterested. When the lawyer knows or reasonably should know that the unrepresented person misunderstands the lawyer's role in the matter, the lawyer shall make reasonable efforts to correct the misunderstanding."(emphasis added).

Comment 1 to ABA Model Rule 4.3 states, in pertinent part: "An unrepresented person, particularly one not experienced in dealing with legal matters, might assume that a lawyer is disinterested in loyalties or is a disinterested authority on the law even when the lawyer represents a client. In order to avoid a misunderstanding, a lawyer will typically need to identify the lawyer's client and, where necessary, explain that the client has interests opposed to those of the unrepresented person."

Philadelphia Bar Association Opinion 2009-02

concluded that it would be unethical for a non-lawyer personnel to attempt to "friend" a non-party witness for the purpose of accessing information on the witness' Facebook page unless the employee disclosed his identity and the purpose of the "friending". The Oregon Bar Association does not seem to go as far, recognizing that the potential "friend" can ask for more information before accepting a request, and then the attorney has the obligation of candor. Oregon Bar Association Formal Opinion No. 2013-189.

May a lawyer send a Facebook "friend" request to an unrepresented third party if the lawyer uses his or her real name?

The Association of the Bar of the City of New York Committee on Professional and Judicial Ethics, Obtaining Evidence From Social Networking Websites, Formal Opinion 2010-2 has long been regarded as a leading opinion on this issue:

> Consistent with the policy, we conclude that an attorney or her agent may use her real name and profile to send a "friend request" to obtain information from an unrepresented person's social networking website without also disclosing the reasons for making the request. While there are ethical boundaries to such "friending," in our view they are not crossed when an attorney or investigator uses only truthful information to obtain access to a website, subject to compliance with all other ethical requirements. See, e.g., id., [Muriel, Siebert & Co. v. Intuit Inc., 8 N.Y.3d 506, 511, 836 N.Y.S.2d 527, 530 (2007)] ("Counsel must still conform to all applicable ethical standards when conducting such [ex parte] interviews [with opposing party's former employee]." (citations omitted))." .

The opinion makes it clear that the key is whether the attorney is honest in the "friending":

> Rather than engage in "trickery," lawyers can -- and should -- seek information maintained on social networking sites, such as Facebook, by availing themselves of informal discovery, such as the truthful "friending" of unrepresented parties, or by using formal discovery devices such as subpoenas directed to non-parties in possession of information maintained on an individual's social networking page. Given the availability of these legitimate discovery methods, there is and can be no justification for permitting the use of deception to obtain the information from a witness on-line. Accordingly, a lawyer may not use deception to access information from a social networking webpage. Rather, a lawyer should rely on the informal and formal discovery procedures sanctioned by the ethical rules and case law to obtain relevant evidence.

May a lawyer have an employee send a Facebook "friend" request?

The same prohibitions apply against having an associate, paralegal or investigator send requests. Rule of Professional Conduct 5.3(c)(1) states: "With respect to a nonlawyer employed or retained by or associated with a lawyer…a lawyer shall be responsible for conduct of such a person that would be a violation of the Rules of Professional Conduct if engaged in by a lawyer if the lawyer orders or, with the knowledge of the specific conduct, ratifies the conduct involved."

Rule of Professional Conduct 8.4 states: "It is professional misconduct for a lawyer to… violate or attempt to violate the Rule of Professional conduct, knowingly assist or induce another to do so, or do so through the acts of another…."

Rule of Professional Conduct 4.1(a) states: "In the course of representing a client a lawyer shall not knowingly… make a false statement of material fact or law to a third person."

The Philadelphia Bar Association, Professional Guidance Committee, issued Opinion 2009-02 (March 2009) involving an "inquirer [who] proposes to ask a third person, someone whose name the witness will not recognize, to go to the Facebook and Myspace websites, contact the witness and seek to 'friend' her, to obtain access to the information on the pages." Id., p. 2 of 6. The Committee concluded that the proposed conduct would violate Pennsylvania Rule of Professional Conduct 5.3(c)(1) and Rule 8.4, and Rule 4.1. See also New Hampshire Bar Association Ethics Committee Advisory Opinion #2012-13/05.

At least one disciplinary action has been filed involving this issue. Robertelli v. The New Jersey Office of Attorney Ethics, explains the background. To obtain information about a plaintiff, two defense

attorneys directed their paralegal to search the internet. The paralegal accessed the plaintiff's Facebook page, which was initially public. Later, the plaintiff changed his privacy settings to limit access to his Facebook friends. The defense attorneys allegedly directed the paralegal to access and continue to monitor the non-public pages of the plaintiff's Facebook account. The paralegal submitted a friend request to the plaintiff, without revealing that she worked for defense firm or that she was investigating the plaintiff in connection with the lawsuit. The plaintiff accepted the friend request, and the paralegal obtained non-public information that then was used in discovery. The plaintiff filed a grievance and the Director of the New Jersey Office of Attorney Ethics filed a complaint against the defense attorneys alleging violations of Rule 4.2; Rule 5.1(b) and (c) (failure to supervise a subordinate lawyer); Rule 5.3(a), (b), and (c) (failure to supervise a non-lawyer assistant); Rule 8.4(a) (violation of the Rules by inducing another person to violate them or doing so through the acts of another); Rule 8.4(c) (conduct involving dishonesty, fraud, deceit, and misrepresentation); and Rule 8.4(d) (conduct prejudicial to the administration of justice). The attorneys denied the complaint and argued, in part, that they were unfamiliar with Facebook's different privacy settings. The complaint is still pending.

What about opposing counsel's social media?

Generally, accessing an opposing counsel's social media does not involve the same ethics issues as accessing opposing counsel's client's social media. The duties of competence and diligence, however, suggest that you should. A recent example of why can be found in Siu Ching Ha v. Baumgart Café of Livingston, 2018 WL 1981478 (D. N.J. April 26, 2018). There, plaintiffs' counsel filed for a 16-day extension of time past the deadline to file a motion for conditional class certification, claiming she had to leave the country due to a family emergency and submitting a flight itinerary showing she had flown to Mexico City and stayed for 16-17 days. Defense counsel opposed the motion and sought sanctions, submitting in support photos from plaintiffs' counsel's Instagram account showing that that she was in New York and Miami during the relevant time period. The magistrate judge awarded $10,000 in sanctions.

May I counsel my client to remove online information, video, entries, posts, or comments that have potential evidentiary value?

A lawyer cannot obstruct another party's access to evidence, alter, destroy or conceal anything having potential evidentiary value, or counsel his client or anyone else to do so. Rule of Professional Conduct 3.4(a). Whether or not deleted videos, blogs, Facebook entries, and posts can be electronically recovered, the question then becomes whether the deletion "obstructs" or "conceals" the information. Several bar associations have issued opinions concluding that lawyers may advise their clients to use the highest privacy settings for their social media pages and may advise clients to remove information if it would not violate rules or substantive law pertaining to the preservation and/or spoliation of evidence. See Florida Professional Ethics Committee Advisory Opn. 14-1 (2015); New York State Bar Association Commercial and Federal Litigation Section Social Media Ethics Guideline No. 4.A (2015); New York County Lawyers Association Ethics Opn. 745 (2013); North Carolina Formal Ethics Opn. 5 (2012); Pennsylvania Bar Association Opn. 2014-300; Philadelphia Bar Association Professional Guidance Committee Opn. 2014-5. Violation of these rules has resulted in severe sanctions. Gatto v. United Airlines, 2013 WL 1285285 (D. N.J. March 25, 2013) (adverse inferences plaintiff permanently deleted social media accounts after defendants requested access), Allied Concrete Co. v. Lester, 736 S.E.2d 699 (Va. 2013) ($542,000 fine against lawyer and $180,000 against client where lawyer told client to "clean up" accounts after receiving discovery request and client deleted photographs from Facebook page) In the Matter of Matthew B. Murray, 2013 WL 5630414 (Va.St.Disp. July 17, 2013) (5 year suspension for attorney in Allied Concrete Co. v. Lester).

May I counsel my client against future online communications, including posts, blogs, and Facebook entries?

With respect to future online communications, in civil cases, a civil lawyer has the right to advise his client not to speak with anyone about the case, and to refrain from any communication, online or

otherwise, which is contrary to his or her interests. In a criminal case, a defendant has a constitutional right against self-incrimination that is guaranteed by the Fifth Amendment; and a criminal defense lawyer may advise his client of that right.

May I counsel my client to post misleading or inaccurate information online to deceive or confuse counsel?

Rule of Professional Conduct 3.4(b) states: "A lawyer shall not… falsify evidence, counsel or assist a witness to testify falsely, or offer an inducement to a witness that is prohibited by law."

Rule of Professional Conduct 8.4 states: "It is professional misconduct for a lawyer to… engage in conduct involving dishonesty, fraud, deceit or misrepresentation…"

May I post inaccurate information online about an investigation or litigation in which I am participating?

Rule of Professional Conduct 4.1(a) states: "In the course of representing a client a lawyer shall not knowingly... make a false statement of material fact or law to a third person." Comment 1 to ABA Model Rule 4.1 states: "A lawyer is required to be truthful when dealing with others on a client's behalf, but generally has no affirmative duty to inform an opposing party of relevant facts. A misrepresentation can occur if the lawyer incorporates or affirms a statement of another person that the lawyer knows is false."

In June 2013, an assistant Cuyahoga County, Ohio, prosecutor was fired after he posed as a murder defendant's fictional "baby mama" on Facebook. He was trying to communicate with two female alibi witnesses for the defense to persuade them not to testify. The County Prosecutor had to withdraw his office from the case and hand it over to the Ohio Attorney General. It did not help the defendant' appeal of his conviction. State v. Dunn, 2015 WL 4656534 (Ohio Ct. App. August 6, 2015), writ denied, 144 Ohio St.3d 1410 (Ohio 2015).

May I post online about an investigation or litigation in which I am participating when that post will have a substantial likelihood of materially prejudicing an adjudicative proceeding?

Rule of Professional Conduct 3.6(a) states: "A lawyer who is participating or has participated in the investigation or litigation of a matter shall not make an extrajudicial statement that the lawyer knows or reasonably should know will be disseminated by means of public communication and will have a substantial likelihood of materially prejudicing an adjudicative proceeding in the matter. Comment 5 to ABA Model Rule 3.6(a) contains a list of "certain subjects that are more likely than not to have a material prejudicial effect on a proceeding, particularly when they refer to a civil matter triable to a jury."

In In re: McCool, No. 2015-B-0284 (La. 6/30/15); 172 So.3d 1058. McCool represented a mother claiming abuse by the father of her children in a custody and visitation battle. Unhappy with the decisions rendered in the litigation and exhausting any other procedural options, among other things, McCool launched a social media campaign to publish misleading and inflammatory statements about the presiding judges, to promote an online petition, and to try to influence the judges in the pending litigation. The Office of Disciplinary Counsel alleged that McCool violated Rules 3.5(a) (prohibiting an attorney seeking to influence a judge, juror, prospective juror or other official by means prohibited by law), Rule 3.5(b) (prohibits attorneys from communicating ex parte with judges and jurors during trial, Rule 8.4(a) (violating or attempting to violate the Rules, knowingly assisting or inducing another to do so, or doing so through the acts of another, 8.4(c) (engaging in conduct involving dishonesty, fraud, deceit or misrepresentation), 8.4(d) (engaging in conduct that is prejudicial to the administration of justice). The Disciplinary Counsel and Hearing Board agreed with a one year and one day suspension, but the Supreme Court ordered disbarment.

What may I post online about an investigation or litigation being handled by another attorney in my firm?

Rule of Professional Conduct 3.6(d) states: "No lawyer associated in a firm or government agency with a lawyer subject to paragraph (a) shall make a

statement prohibited by paragraph (a)."

May I perform an online investigation of potential jurors during voir dire?

Rule of Professional Conduct 3.5 (a) prohibits an attorney seeking to influence a juror by means prohibited by law, while Rule 3.5(b) prohibits attorneys from communicating ex parte with jurors during trial. New York County Lawyers' Association Committee on Professional Ethics Opinion 743 (2011) was one of the early opinions to address the impact of Rule 3.5 on online juror research: "It is proper and ethical under RPC 3.5 for a lawyer to undertake a pretrial search of a prospective juror's social networking site, provided that there is no contact or communication with the prospective juror and the lawyer does not seek to 'friend' jurors, subscribe to their Twitter accounts, send jurors tweets or otherwise contact them." This has generally been interpreted as prohibiting any research that notifies a juror of the search, e.g., with LinkedIn's notification that someone is searching a user's site. See, e.g., N.Y.S.B.A. Social Media Ethics Guidelines, Guideline 6.B (a lawyer may not "communicate" with a prospective or sitting juror by using a website that generates automatic messages notifying an individual that his/her profile has been accessed).

The ABA broke with this approach in ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 466 (April 24, 2014). The committee which noted "three levels of lawyer review of juror Internet presence":

1. passive lawyer review of a juror's website or ESM that is available without making an access request where the juror is unaware that a website or ESM has been reviewed;

2. active lawyer review where the lawyer requests access to the juror's ESM; and

3. passive lawyer review where the juror becomes aware through a website or ESM feature of the identity of the viewer;

The opinion continues to prohibit any direct or indirect request to access jurors' private social media but permits passive review even if the juror is notified of the access. Colorado and West Virginia have followed the ABA's opinion. Colo. Bar Ass'n Ethics Comm., Use of Social Media for Investigative Purposes, Formal Op. 127 (Sept. 2015); Lawyer Disciplinary Board of W. Va., Social Media and Attorneys, L.E.O. 2015-02, at 18 (Sept. 22, 2015). Oregon has gone further and allows attorneys to request access to private information on a juror's or prospective juror's social media websites as long as the lawyer accurately represents his role in a case if asked by the juror. Or. St. Bar, Accessing Information about Third Parties Through a Social Networking Website, Formal Op. 2013-189 (Feb. 2013).

Do I have an obligation to my client to recognize the danger of online jurors?

The reality is that potential jurors and sworn jurors are going online to investigate the cases. In In re Methyl Tertiary Butyl Ether (MTBE) Products Liability, 739 F.Supp.2d 576 (S.D.N.Y. 2010), Juror No. 5 learned that ExxonMobil was the only remaining defendant in this case and that many of the other defendants had settled for approximately one million dollars each." The district court dismissed the juror but was asked to grant a mistrial after the jury returned a $100 million verdict. Th court found that the jury was not too polluted by the receipt of extra-judicial information such as to prevent it from rendering a fair verdict based on the evidence introduced at trial but noted numerous instances of jurors conducting their own investigations in other cases:

- Christina Hall, Facebook Juror Gets Homework Assignment, The Detroit Free Press, Sept. 2, 2010 (reporting that a Michigan juror who posted on Facebook that a defendant was guilty before the completion of trial was dismissed from the jury, held in contempt of court, ordered to pay a $250 fine and required to write a five page essay on the defendant's Sixth Amendment right to a jury trial)

- Noeleen G. Walter, Access to Internet, Social Media by Jurors Pose Challenges for Bench, N.Y. L.J., Mar. 3, 2010 (reporting that a state trial court in the Bronx determined that a woman breached her obligations as a juror by sending a Facebook "friend" request to a government witness but rejected the defense's argument that this act had tainted the jury's guilty verdict)

- Andrea F. Siegel, Judges Confounded by Jury's Access to Cyberspace: Panelists Can Do Own Research on Web, Confer Outside of Courthouse, The Balt. Sun, Dec. 13, 2009 (discussing the increasing trend in Maryland courts of defendants seeking a mistrial on the ground that one or more of the jurors conducted Internet research about the defendant's case while the trial was ongoing)

- Debra C. Weiss, Juror Whose Revelation Forced a Mistrial Will Pay $1,200, A.B.A. J., Oct. 13, 2009 (reporting that a New Hampshire juror charged with contempt of court for revealing during deliberations that the defendant was a convicted child molester pleaded guilty to a reduced charge and agreed to pay $1,200 to reimburse the county for expenses related to two days of deliberations)

- Daniel A. Ross, Juror Abuse of the Internet, N.Y. L. J., Sept. 8, 2009 (examining the problem of "Internet-tainted" juries across the United States and abroad

- John Schwartz, As Jurors Turn to Web, Mistrials Are Popping Up, N.Y. Times, Mar. 18, 2009 ("It might be called a Google mistrial. The use of BlackBerry's and iPhones by jurors gathering and sending out information about cases is wreaking havoc on trials around the country, upending deliberations and infuriating judges.").

Is there an instruction that I can ask the trial court to give to reduce the likelihood of online jurors?

At least eleven states jurisdictions have adopted a model instruction regarding a juror's online usage during the pendency of a trial.[6] In December of 2009, the Judicial Conference Committee on Court Administration and Case Management prepared "Proposed Model Jury Instructions for the Use of Electronic Technology to Conduct Research on or Communicate about a Case," which included the following instruction at the close of the case:

> During your deliberations, you must not communicate with or provide any information to anyone by any means about this case. You may not use any electronic device or media, such as a telephone, cell phone, smart phone, iPhone, Blackberry or computer; the internet, any internet service, or any text or instant messaging service; or any internet chat room, blog, or website such as Facebook, My Space, LinkedIn, YouTube or Twitter, to communicate to anyone any information about this case or to conduct any research about this case until I accept your verdict.[7]

May I monitor jurors' publicly available blog or Facebook pages?

The analysis here is generally the same as for voir dire as discussed above. At least one opinion has addressed the issue of post-voir dire access: "During the evidentiary or deliberation phases of a trial, a lawyer may visit the publicly available Twitter, Facebook or other social networking site of a juror but must not 'friend' the juror, email, send tweets to the juror or otherwise communicate in any way with the juror or act in any way by which the juror becomes aware of the monitoring. Moreover, the lawyer may not make any misrepresentations or engage in deceit, directly or indirectly, in reviewing juror social networking sites." New York County Lawyers' Association Committee on Professional Ethics Opinion 743 (2011).

What if I learn that a juror is communicating online or tweeting about the trial, and I know that juror's opinion is favorable to my client?

Comment 12 to ABA Model Rule 3.3 states: "Lawyers have a special obligation to protect a tribunal against criminal or fraudulent conduct that undermines the integrity of the adjudicative process, such as bribing, intimidating or otherwise unlawfully communicating with a witness, juror, court official or other participant in the proceeding, unlawfully destroying or concealing documents or other evidence or failing to disclose information to the tribunal when required by law to do so. Thus, paragraph (b) requires a lawyer to take reasonable remedial measures, including disclosure if necessary, whenever the lawyer knows that a person, including the lawyer's client, intends to engage, is engaging or has engaged in criminal or fraudulent conduct related to the proceeding."

"In the event the lawyer learns of juror misconduct,

6 See http://www.ncsc.org/Topics/Media/Social-Media-and-the-Courts/State-Links.aspx?-cat=Jury%20Instructions%20on%20Social%20Media.

7 http://www.uscourts.gov/sites/default/files/jury-instructions.pdf.

including deliberations that violate the court's instructions, the lawyer may not unilaterally act upon such knowledge to benefit the lawyer's client, but must promptly comply with Rule 3.5(d) and bring such misconduct to the attention of the court before engaging in any further significant activity in the case." New York County Lawyers' Association Committee on Professional Ethics Opinion 743 (2011).

"Any lawyer who learns of juror misconduct, such as substantial violations of the court's instructions, is ethically bound to report such misconduct to the court under RPC 3.5, and the lawyer would violate RPC 3.5 if he or she learned of such misconduct yet failed to notify the court. This is so even should the client notify the lawyer that she does not wish the lawyer to comply with the requirements of RPC 3.5. Of course, the lawyer has no ethical duty to routinely monitor the web posting or Twitter musings of jurors, but merely to promptly notify the court of any impropriety of which the lawyer becomes aware." New York County Lawyers' Association Committee on Professional Ethics Opinion 743 (2011)(citing RPC 3.5(d)).

"Lawyers who learn of impeachment or other useful material about an adverse party, assuming that they otherwise conform with the rules of the court, have no obligation to come forward affirmatively to inform the court of their findings. Such lawyers, absent other obligations under court rules or the RPC, may sit back confidently, waiting to spring their trap at trial. On the other hand, a lawyer who learns of juror impropriety is bound by RPC 3.5 to promptly report such impropriety to the court. That rule provides that: 'A lawyer shall reveal promptly to the court improper conduct by a member of the venire or a juror, or by another toward a member of the venire or a juror or a member of his or her family of which the lawyer has knowledge.'" New York County Lawyers' Association Committee on Professional Ethics Opinion 743 (2011)(citing RPC 3.5(d)).

May I friend judges?

ABA Standing Comm. on Ethics & Professional Responsibility, Formal Op. 462 (2013) concluded that a judge may participate in electronic social networking. Likewise, the federal Guide to Judiciary Policy recognizes that judges may participate in social media but must be mindful of ethical considerations. Committee on Codes of Conduct Advisory Op. No. 112:

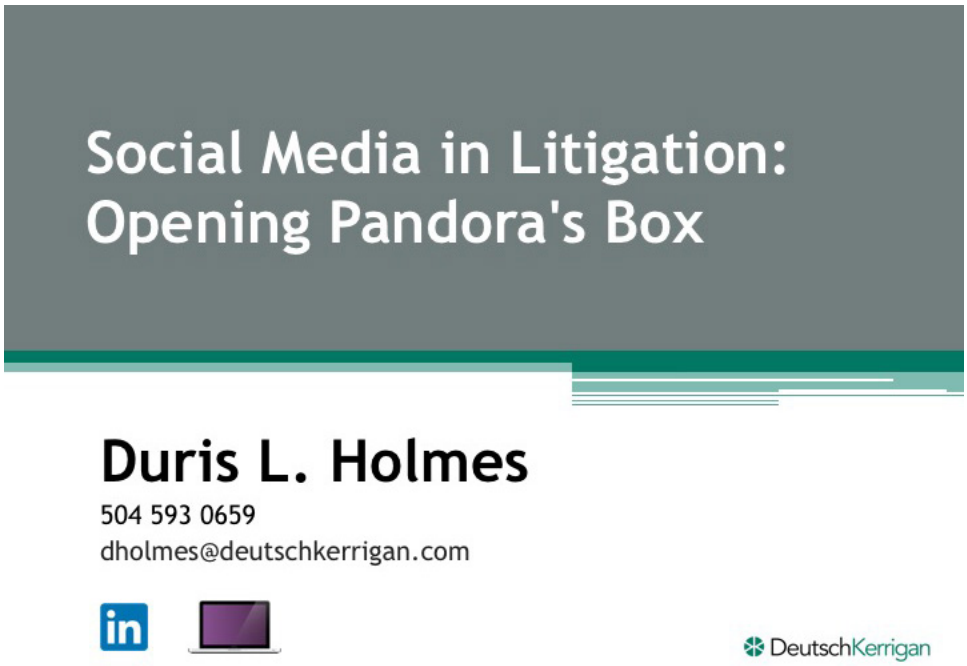
The states have reached varying results. In California, Florida, and Oklahoma, a judge may not add lawyers who may appear before the judge as friends on a social networking site because to do so would convey the impression that the lawyers could influence the judge. Cal. Judges Association Ethics Comm., Op. 66 (2010); Fla. Judicial Ethics Advisory Comm., Op. 2009-20 (2009); Okla. Judicial Ethics Advisory Panel, No. 2011-3 (2011). Arizona, Connecticut, Kentucky, Maryland, Massachusetts, New Mexico, New York, Ohio, South Carolina, Tennessee, Utah, and Washington have generally allowed friending so long as there are no ex parte communications or other violations of the applicable canons of judicial conduct. Ariz. Sup. Ct. Judicial Ethics Advisory Comm. Advisory Op. 14-01 (2014); Conn. Comm. on Judicial Ethics Informal Op. 2013-06 (2013); Ethics Committee of the Ky. Judiciary Formal Judicial Ethics Op. JE-119 (2010); Md. Judicial Ethics Advisory Op. (2012); Mass. Comm. on Judicial Ethics, Op. 2011-06 (2011); N.M. Advisory Comm. On the Code of Judicial Conduct Advisory Op. Concerning Social Media (2016); Ohio Bd. of Comm'rs on Grievances and Disputes, Op. 2010-07 (2010); N.Y. Advisory Comm. on Judicial Ethics, Op. 08-176 (2009); S.C. Judicial Dep't Advisory Comm. on Standards of Judicial Conduct, Op. 17-2009 (2009); Tenn. Judicial Ethics Comm., Op. 12-01 (2012); Utah Informal Advisory Op. 2012-1 (2012); Wash. State Ethics Advisory Comm. Op. 09-05 (2009). North Carolina focuses not on the "friending" itself but on the substance of any communications on the Facebook page, reprimanding a judge for discussing a pending case with one of the lawyers in the case on Facebook. NC Judicial Standards Comm., Public Reprimand, Inquiry No. 08-234.

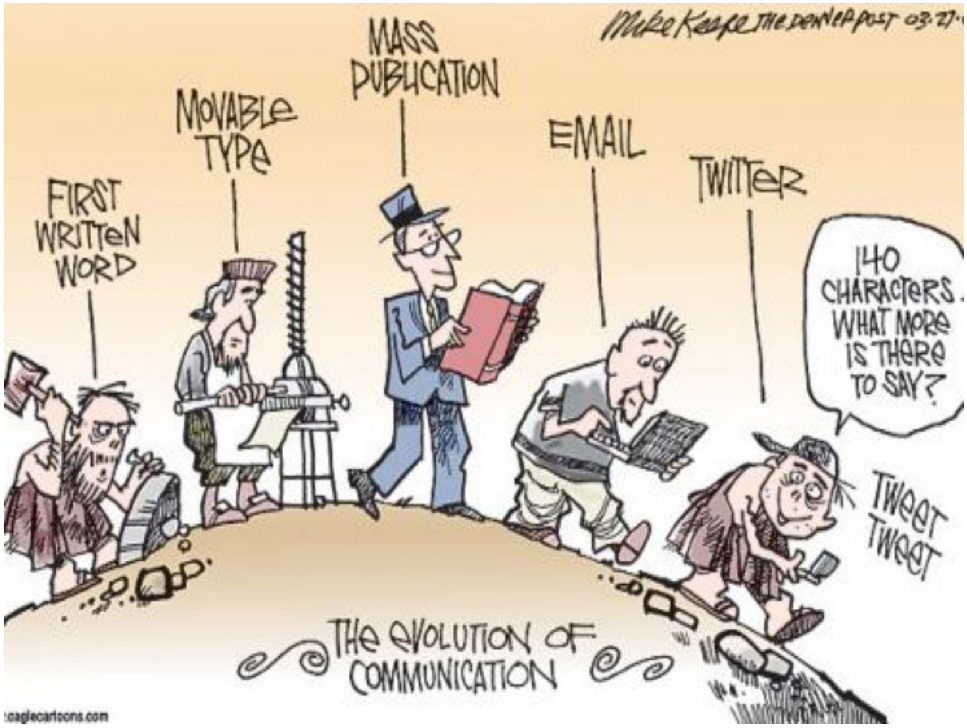
There has also been a spate of cases focusing on whether a judge's social media relationship with attorneys in a case requires recusal. In State v. Forguson, 2014 WL 631246 at * 13 (Tenn.Crim.App. Feb.18, 2014), because the record failed to show "the length of the Facebook relationship between the trial court and the confidential informant, the extent of their internet interaction or the nature of

the interactions," the court found that there was not sufficient proof showing that the trial court could not impartially fulfill its duty as thirteenth juror. Cf. Youkers v. State, 400 S.W.3d 200 (Tex.App. 2013) (designation of Facebook friend alone provides no insight into the nature of the relationship); with Chace v. Loisel, 170 So.3d 802 (Fla.App. 5 Dist. 2014) (relying on judicial ethics opinion prohibiting trial judges from engaging in social media with attorneys to require recusal based solely on "Facebook friendship" with prosecutor).

Can judges use social media to research parties or jurors?

Last December, the ABA Committee on Ethics & Professional Responsibility responded in the negative in Formal Opinion 478 (December 8, 2017). ABA Model Code of Judicial Conduct Rule 2.9(C) states: "A judge shall not investigate facts in a matter independently, and shall consider only the evidence presented and any facts that may properly be judicially noticed." Comment [6] to Rule 2.9 clarifies that this "extends to information available in all mediums, including electronic." Therefore, the committee concluded that "[o]n-line research to gather information about a juror or party in a pending or impending case is independent fact research that is prohibited by Model Rule 2.9(C)."





Stats

Facebook
- Over 2.07 billion active monthly users world-wide
- 1.37 billion log into their accounts daily.
- 5 new accounts created EVERY second
- 510,000 comments are posted, 293,000 statuses are updated, and 136,000 photos are uploaded EVERY SIXTY SECONDS

Twitter
- Over 695 million registered Twitter users.
- Tweets/day = Average 58 million times a day.

YouTube
- Over a billion users who each day watch a billion hours of video.

Instagram
- Introduced the ability to post videos in June 2013, and within the first 24 hours, users uploaded 5 million videos.

**Information is current as of as of September 2017 and represents 57% and 65% increases respectively from June 2014.*

Are social networking sites potential sources of evidence for use in litigation?

- Association of the Bar of the City of New York Committee on Professional and Judicial Ethics, Obtaining Evidence From Social Networking Websites, Formal Opinion 2010-2

  "The potential availability of helpful evidence on these internet-based sources makes them an attractive new weapon in a lawyer's arsenal of formal and informal discovery devices."

Does a lawyer have an obligation to investigate online? If so, what is the scope of a lawyer's duty to investigate?

- Rule 1.3 states: "A lawyer shall act with reasonable diligence and promptness in representing a client."
- ABA Model Rule 1.1 comment 5: "[c]ompetent handling of a particular matter includes inquiry into and analysis of the factual and legal elements of the problem."
- ABA Model Rule 1.1 comment 8: "To maintain the requisite knowledge and skill, a lawyer should keep abreast of changes in the law and its practice, including the benefits and risks associated with relevant technology…."

Have the courts recognized the failure to use technology as grounds for relief?

- *State v. Hales*, 152 P.3d 321 (Utah 1/30/07): "the defense could have discovered with a '30-second' search on 'Google'."
- *Johnson v. McCullough*, 306 S.W. 3d 551 (Mo. 2010): "in light of advances in technology… it is appropriate to place a greater burden on the parties…."

May I....

...send a Facebook "friend" request to a plaintiff?

- Rule 4.2: "In representing a client, a lawyer shall not communicate about the subject of the representation with a person the lawyer knows to be represented by another lawyer in the matter, unless the lawyer has the consent of the other lawyer or is authorized to do so by law or a court order."

…accept a Facebook "friend" request sent to me by a plaintiff?

- Comment 3 to ABA Model Rule 4.2: "The Rule applies even though the represented person initiates or consents to the communication. A lawyer must immediately terminate communication with a person if, after commencing communication, the lawyer learns that the person is one with whom communication is not permitted by this Rule."

…send a Facebook "friend" request to an unrepresented third party without disclosing my true purpose for "friending"?

- Rule 4.1(a): "In the course of representing a client a lawyer shall not knowingly… make a false statement of material fact or law to a third person."
- Rule 4.3: "When the lawyer knows or reasonably should know that the unrepresented person misunderstands the lawyer's role in the matter, the lawyer shall make reasonable efforts to correct the misunderstanding."
- Philadelphia Bar Association Opinion 2009-02: Unethical for a non-lawyer personnel to attempt to "friend" a non-party witness for the purpose of accessing information on the witness' Facebook page; unless employee disclosed identity and purpose of "friending".

…send a Facebook "friend" request to an unrepresented third party if the lawyer uses his or her real name?

- The Association of the Bar of the City of New York Committee on Professional and Judicial Ethics, Obtaining Evidence From Social Networking Websites, Formal Opinion 2010-2:
  - "While there are ethical boundaries to such 'friending,' in our view they are not crossed when an attorney or investigator uses only truthful information to obtain access to a website, subject to compliance with all other ethical requirements."
  - "Given the availability of these legitimate discovery methods, there is and can be no justification for permitting the use of deception to obtain the information from a witness on-line."

…have an employee send a Facebook "friend" request?

- Rule 5.3(c)(1): "With respect to a nonlawyer employed or retained by or associated with a lawyer…a lawyer shall be responsible for conduct of such a person that would be a violation of the Rules of Professional Conduct if engaged in by a lawyer if the lawyer orders or, with the knowledge of the specific conduct, ratifies the conduct involved."
- Rule 8.4 : "It is professional misconduct for a lawyer to… violate or attempt to violate the Rule of Professional conduct, knowingly assist or induce another to do so, or do so through the acts of another…."
- Rule 4.1(a) : "In the course of representing a client a lawyer shall not knowingly… make a false statement of material fact or law to a third person."

- Philadelphia Bar Association, Professional Guidance Committee Opinion 2009-02
- New Hampshire Bar Association Ethics Committee Advisory Opinion #2012-13/05.
- *Robertelli v. The New Jersey Office of Attorney Ethics*, 224 N.J. 470, 134 A.3d 963 *(2016)*

…counsel my client to remove online information, video, entries, posts, or comments that have potential evidentiary value?

- Rule 3.4(a): "A lawyer shall not... unlawfully obstruct another party's access to evidence or unlawfully alter, destroy or conceal a document or other material having potential evidentiary value."
- Rule 8.4: "It is professional misconduct for a lawyer to… violate or attempt to violate the Rule of Professional conduct, knowingly assist or induce another to do so, or do so through the acts of another…"

...view opposing counsel's social media?

- Rule 1.1 duties
- *Siu Ching Ha v. Baumgart Café of Livingston*, 2018 WL 1981478 (D. N.J. April 26, 2018)

…counsel my client against future online communications, including posts, blogs, and Facebook entries?

Penn. Bar Ass'n Comm'n on Ethics & Prof'l Responsibility, Formal. Op. 2014-300 (2014)

- "As a general rule, in order to provide competent representation under Rule 1.1, a lawyer should advise clients about the content of their social media accounts…."
- "It has become common practice for lawyers to advise clients to refrain from posting any information relevant to a case on any website, and to refrain from using these websites until the case concludes."

…counsel my client to post misleading or inaccurate information online to deceive or confuse counsel?

- Rule 3.4(b): "A lawyer shall not… falsify evidence, counsel or assist a witness to testify falsely, or offer an inducement to a witness that is prohibited by law."
- Rule 8.4: "It is professional misconduct for a lawyer to… engage in conduct involving dishonesty, fraud, deceit or misrepresentation…"

…post inaccurate information online about an investigation or litigation in which I am participating?

- Rule 4.1(a): "In the course of representing a client a lawyer shall not knowingly... make a false statement of material fact or law to a third person."
- Comment 1 to Rule 4.1: "A lawyer is required to be truthful when dealing with others on a client's behalf, but generally has no affirmative duty to inform an opposing party of relevant facts. A misrepresentation can occur if the lawyer incorporates or affirms a statement of another person that the lawyer knows is false."
- *Disciplinary Counsel v. Brockler*, 145 Ohio St.3d 270, 48 N.E.3d 557 (2016) (suspension for *State v. Dunn* prosecutor)

…post online about an investigation or litigation in which I am participating when that post will have a substantial likelihood of materially prejudicing an adjudicative proceeding?

- Rule 3.6(a): "A lawyer who is participating or has participated in the investigation or litigation of a matter shall not make an extrajudicial statement that the lawyer knows or reasonably should know will be disseminated by means of public communication and will have a substantial likelihood of materially prejudicing an adjudicative proceeding in the matter.
- Comment 5 to Rule 3.6(a) contains a list of "certain subjects that are more likely than not to have a material prejudicial effect on a proceeding, particularly when they refer to a civil matter triable to a jury."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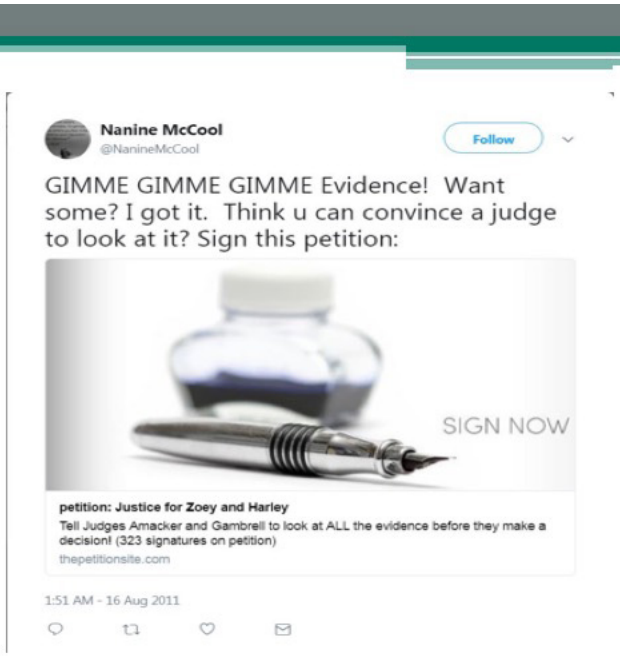
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Tell Judges Amacker and Gambrell to look at ALL the evidence before they make a decision! (323 signatures on petition)
thepetitionsite.com
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What may I post online about an investigation or litigation being handled by another attorney in my firm?

- Model Rule 3.6(d) states: "No lawyer associated in a firm or government agency with a lawyer subject to paragraph (a) shall make a statement prohibited by paragraph (a)."

May I perform an online investigation of potential jurors during *voir dire*?

- Rule 3.5 (a) prohibits an attorney seeking to influence a juror by means prohibited by law, while Rule 3.5(b) prohibits attorneys from communicating ex parte with jurors during trial.
- New York County Lawyers' Association Committee on Professional Ethics Opinion 743 (2011): "It is proper and ethical under RPC 3.5 for a lawyer to undertake a pretrial search of a prospective juror's social networking site, provided that there is no contact or communication with the prospective juror and the lawyer does not seek to 'friend' jurors."

ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 466 (April 24, 2014)

- attempting to "friend" jurors or prospective jurors is akin to a communication by which a lawyer is asking the juror for information that the juror has not made public is an ex parte communication prohibited by Rule 3.5(b).
- passive review even if the juror is notified of the access

Or. St. Bar, Accessing Information about Third Parties Through a Social Networking Website, Formal Op. 2013-189 (Feb. 2013)

- allows attorneys to request access to private information on a juror's or prospective juror's social media websites as long as the lawyer accurately represents his role in a case if asked by the juror.

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- ABA Committee on Ethics & Professional Responsibility Formal Opinion 478 (December 8, 2017.

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Mr. Holmes has more than 25 years of experience as a business lawyer, representing clients in arbitration and litigation as well as handling transactional matters. He also represents franchisors with respect to disclosure, relationship and termination issues.

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- Commercial Litigation
- Banking Law
- Franchising and Distribution
- Intellectual Property
- Trusts and Estates

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- Retail and Restaurant
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Publications
- Lawyer Ethics Considerations and Admissibility Issues
- Private Antitrust Litigation News - Model Civil RICO Jury Instructions
- New Orleans Intellectual Property News

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ETHICS: PRACTICAL ISSUES AND ETHICAL CONCERNS OF IN-HOUSE PRO BONO EFFORTS

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In House Counsel Pro Bono Programs: Overcoming Practical Issues and Addressing Ethical Concerns
Amy F. Sorenson

The history of lawyers in the United States providing civil legal services "pro bono publico" – for the public good, rather than for profit – is a long one. In 1974, Congress established Legal Services Corporation, an independent non-profit organization formed to provide financial support for civil legal aid for low-income Americans. Long before then, however, nineteenth century grass roots "legal aid societies", usually founded with specific, vulnerable populations in mind, were the primary source of organized free legal representation in the United States.[1] As of 2018, LSC funds 133 independent non-profit legal aid programs in every state, the District of Columbia, and the U.S. Territories. Moreover, state-based "Access to Justice Commissions", formed to identify and address barriers to the courthouse and to provide critical legal services for low income Americans began to appear in the late 1990s, with Washington, Maine, and California leading the way. Today, most states have an Access to Justice Commission, and the remainder have a state court or bar-sponsored Pro Bono Commission, committees or commissions on Self-Represented Litigants, or similar bodies charged with improving access to the courts or the provision of civil legal services in critical areas such as family law (including orders of support, custody or protective orders), landlord-tenant law, consumer law or disability or benefits issues.

The expansion of Access to Justice Commissions mirrors the expansion of the numbers of self-represented litigants in American courts. Nationwide, some sources place the proportion of self-represented litigants in critical areas such as evictions, child custody and child support proceedings, and debt collection at two thirds.[2] Yet the legal system depends on and is made for lawyers, and, more fundamentally, it assumes that all parties will have zealous advocates ensuring their interests will be advanced, that outcomes will be the result of a truly adversarial proceeding and that that the process itself – sometimes bewildering and arcane even to sophisticated litigants − at least explained.

Against this backdrop, it is hardly surprising that, since 2002, ABA Model Rule 6.1 has provided that "every lawyer" has a "professional responsibility" to provide legal services to those unable to pay, including aspiring to provide fifty hours of pro bono legal services per year to people of limited means, or to individuals or organizations seeking to protect civil rights, civil liberties or public rights, or participating in activities for improving the law, the legal system or the legal profession.[3]

1 Robert L. Hill and Thomas J. Calvocoressi, The Corporate Counsel and Pro Bono Service, 42 Bus. Law 675 (1986)

2 2016 TrustLaw Index of Pro Bono, Thompson Reuters Foundation

3 See https://www.law.cornell.edut/ethics/aba/current/ABA_Code.HTM, Rule 6.1, Voluntary Pro Bono Publico Service, ABA Model Rules of Professional Conduct (2004) (incorporating changes adopted by ABA House of Delegates, February and August, 2002).

But even this awakening to the increased need for pro bono services, and the expansion of the programs and types of assistance available nationwide, does not approach addressing the demand. The ABA has concluded that "in some jurisdictions, more than eighty percent of litigants in poverty are unrepresented in matters involving basic life needs . . . ."[4]

But in house pro bono efforts have grown dramatically in past decades as well, as has the range and type of organizations available for the sole purpose of assisting in house lawyers with establishing and running pro bono programs and services. Organizations like Corporate Pro Bono (CPBO),[5] which is a partnership between the Pro Bono Institute[6] and the Association of Corporate Counsel, has as its charter the enhancement of the pro bono culture at in-house legal departments and to dramatically increase the volume of pro bono work undertaken by in house lawyers. An impressive number of large, Fortune 500 companies have established formal pro bono programs for the attorneys in their law departments, including Caterpillar, American Express, Microsoft, GM and Starbucks, citing the need for community service, recruiting top talent from law firms, and the training, mentoring, and networking opportunities provided by pro bono work. In fact, certain corporations – Ford, 3M, and Gillette, among others – launched a variety of in house pro bono programs decades ago.[7] Even smaller companies and legal departments, however, are providing pro bono legal services in significant ways and at meaningful levels.

In short, in house lawyers and legal departments – of any size − are an important part of the multifaceted approach needed to address the problem of access to justice. This article identifies certain frequently occurring practical concerns and ethical issues presented by in house pro bono efforts, and provides resources and suggestions for overcoming them.

Overcoming Practical Concerns

Employer Support. Perhaps the most important practical concern in trying to develop a successful corporate pro bono program is designing one that suits your company's corporate culture, needs and interests. Ensuring a tight fit between the company's corporate culture and objectives and the needs and opportunity provided by the pro bono project is time well spent, and helps to ensure sufficient volunteers and company financial support. Your employer's corporate social responsibility (CSR) webpage or its foundation mission statement are critical resources in determining what will generate the most support and enthusiasm within the law department and the company broadly.

Another option for assessing cultural fit and interest is to conduct a legal department survey of current pro bono projects and interests, to determine what attorneys are doing now and what they would be interested in doing. A survey can be crafted in partnership with a local legal aid provider, which can also assist with suggesting specific subject areas, unbundled legal services opportunities, and training opportunities to help overcome concerns about lack of time, interest or expertise. Finally, developing the "business case" for an in house pro bono effort – including benefits to the community/customers, positive media attention, retention and recruitment of legal talent, and good corporate citizenship generally − can also be an important tool towards gaining financial support and widespread and continued participation from senior management and attorneys alike. In house pro bono work "engages employees and companies in their communities and tends to pay off for the legal department in the form of employee experience and relationship-building both inside and outside the company."[8]

Conflicts. Although a conflicts system for a corporation interested in allowing its in house attorneys to undertake pro bono work is necessarily not the same as for a law firm (whose only business is the provision of legal services to clients), a conflicts process nevertheless should be established for an in house pro bono program, and both direct and positional conflicts should be identified prior to undertaking any representation. Identifying direct conflicts will likely involve searching adverse parties against lists of company customers, employees, partners, vendors and dealers. Positional or

4 ABA Commission on Future of Legal Services, "Report on the Future of Legal Services in the United States" at 1 (2016).

5 http://www/cpbo.org

6 http://www/probonoinst.org

7 Robert L. Hill and Thomas J. Calvocoressi, The Corporate Counsel and Pro Bono Service, 42 Bus. Law 675 (1986).

8 Melissa Maleske, How to Make In-House Pro Bono Work, Law360, March 30, 2107, available at https://www.law360.com/articles/907435/print?section=corporate

business conflicts should be identified during the investigation of the pro bono opportunity, prior to embarking on the project itself, to confirm consistency with the corporation's public positions and economic interests and to secure approval for the project in the first place.[9]

Malpractice Insurance. The lack of appropriate malpractice coverage is also sometimes raised as a potential obstacle to the performance of in house pro bono projects. This is so because a corporation's general indemnification or corporate insurance policies may not anticipate or cover the provision of pro bono legal services.

Happily, a range of affordable malpractice insurance options exists, from obtaining (or confirming) pro bono coverage from a company's existing provider to the extension of a partnering legal aid organization's policy to the company's volunteer lawyers. Some corporations' existing Employed Lawyers Professional Liability insurance (ELPL) policies already cover pro bono services, or an endorsement may added to an existing Directors & Officers or Errors & Omissions policy for an additional charge. Purchase of a standalone, pro bono-specific policy is also an option, one that offers flexibility with regard to the projects undertaken and the coverage provided. The National Legal Aid & Defender Association (NLADA) offers such insurance for generally affordable annual premiums.[10]

According to the CPBO, despite the range of options available to corporate legal departments for coverage, the overwhelming majority (91%) of in house pro bono attorneys obtain malpractice insurance through their partnerships with legal aid services providers.[11]

Addressing Ethical Issues

Multijurisdictional Practice Rules. Bar admissions rules concerning the multijurisdictional practice of law also can be a barrier to corporate pro bono programs, as many in house lawyers are not licensed in the state where they work and live. In 2002, the ABA amended Model Rule 5.5 to allow in house lawyers to practice for their employers without gaining admission to the local bar and without registering with the bar or state's highest court.[12]

Consistent with this trend of a proposed easing of multijurisdictional practice rules for work on behalf of one's employer, certain states, such as California and Maryland, allow in house lawyers who are not locally licensed to register to provide pro bono services in their state of residence for a certain period of time, so long as they associate with a qualifying legal aid organization.[13] And fifteen jurisdictions have amended their rules to reduce or eliminate licensing and registration requirements, thus allowing thousands of in house attorneys to support pro bono projects broadly, including New York, Virginia, Illinois, and Wisconsin. States like Connecticut, Florida, Iowa, Massachusetts, New Jersey and Ohio all have made changes to their practice rules to support greater pro bono involvement. For specific rules on a jurisdiction by jurisdiction basis, CPBO has prepared a summary chart with descriptions of and a link to each applicable rule and any pro bono exception.[14]

Competence. Of course, it (just about) goes without saying that the ethical rules applicable in every state requiring that an attorney be competent to take on a matter, apply to all matters, whether for a paying or non-paying client.[15] As a practical matter, however, opportunities to satisfy the competence requirement organically abound. Corporate pro bono partnerships with local legal aid organizations, bar associations, or other non-profit organizations often provide any training necessary to undertake an area of law unfamiliar to in house counsel. Moreover, there is a great variety of limited scope projects, such as expungement or other single subject clinics, as well as other unbundled pro bono service projects, including the staffing of

9 See ABA Model Rule of Professional Conduct Rule 1.7(a)(2) (a lawyer shall not represent a client if the representation involves a concurrent conflict of interest, which exists if "there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.")

10 See http://www.cpbo.org/resources/insurance/

11 See http://www.cpbo.org/wp-content/uploads/2015/12/Infographic-Insurance-10.24.17.pdf

12 ABA Model Rule of Professional Conduct, Rule 5.5, Unauthorized Practice of Law (permitting a lawyer admitted in another jurisdiction and not disbarred or suspended from practice to provide legal services through an office in this jurisdiction that "are provided to the lawyer's employer or its organizational affiliates…."). Many states, however, remain silent as to whether non-locally licensed in house attorneys allowed to work for their employer may also provide pro bono services

13 Cal. Rules of Court, rules 9.45, 9.46, MD R ADMIS Rule 15.

14 CPBO, Summary of Multijurisdictional Practice Rules by State, http://www.cpbo.org/wp-content/uploads/2018/04/MJP-Guide-2017-4.10.18.pdf

15 ABA Model Rule of Professional Conduct, Rule 1.1, Competence. "A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation."

legal hotlines, forms and pleadings assistance, or teaching at community legal education seminars, that make gaining competence relatively simple.

Scope. Establishing the scope of a matter is equally important, and state scope requirements are an advantage as much as they are a requirement.[16] States often allow limited scope engagements if certain requirements are met and communicated, which can allow busy in house lawyers to find fulfilling pro bono work that is appropriate for the scarce time they may have available to devote to pro bono efforts. In addition to the forgoing examples, with client informed consent and a written agreement reflecting the limited scope representation, common limited scope projects can include appearing in court for a limited purpose or single hearing, coaching clients on the court process, preparing court documents or assisting clients with the completion of forms.

Communication. Establishing and maintaining proper communication with pro bono clients about matters is likewise ethically required[17], a practical necessity, and the right thing to do. As with any representation, planning, charts, and the use of form pleadings and letters can make these obligations easier to satisfy and monitor. Form engagement letters can be created ahead of time for the specific matter or type of matters, explaining the scope of the engagement, identifying the client, providing for a termination procedure, and defining roles and responsibilities. In addition to proper engagement letters, attorney notes, file updates, and disengagement letters are equally critical to proper communication and file management, and many legal aid providers will have forms which can be efficiently customized to your department's needs and culture.

Conclusion

Like pro bono and legal aid generally, corporate pro bono is more needed – and better supported – than ever. The benefits of establishing an in house pro bono program are many, from increasing employee opportunity and job satisfaction, to positive public relations, to tighter coordination between the legal department and the corporation's social responsibility goals, to name only a few. For every lawyer, it is a reminder of our privileged position, and of the responsibility to others that accompanies that privilege: "We are among the few who can make the legal system work for people who have nothing to give us but their gratitude."[18]

16 ABA Model Rule of Professional Conduct 1.2(c), Scope of Representation And Allocation of Authority Between Client and Lawyer. "A lawyer may limit the scope of the representation if the limitation is reasonable under the circumstances and the client gives informed consent . . . ."

17 ABA Model Rule of Professional Conduct, 1.4, Communication. "A lawyer shall: (1) promptly inform the client of any decision or circumstance with respect to which the client's informed consent, as defined in Rule 1.0(e), is required by these Rules . . . ."; ABA Model Rule of Professional Conduct 1.3, Diligence. "A lawyer shall act with reasonable diligence and promptness in representing a client."

18 Anne Brafford, 7 Reasons to Do Pro Bono Work, Law360, March 21, 2013, available at https://www.law360.com/articles/424004/7-reasons-to-do-pro-bono-work

Snell & Wilmer

In-House Counsel Pro Bono Programs: Overcoming Practical Issues and Addressing Ethical Concerns

Amy F. Sorenson
Snell & Wilmer L.L.P.

- Why In-House Pro Bono?
- What In-House Pro Bono Opportunities Exist?
- How Does In-House Pro Bono Work Within the Company?
- How Does In-House Pro Bono Work Within the Ethical Rules?
- Resources

Why In-House Pro Bono?

Fundamentally, because of great, if not overwhelming, need:

- ABA has concluded that "***in some jurisdictions, more than eighty percent of litigants in poverty are unrepresented in matters involving basic life needs . . .***"
- In California, in the 1970's, 1% of all people divorcing were self-represented. Today, 78% of divorcing Californians are self-represented.
- In New York, 95% of litigants in family court are unrepresented.

Why In-House Pro Bono?

Fundamentally, because of great, if not overwhelming, need:

- Lawyers average 30 hours per year of pro bono work.
- That works out to about one lawyer for every 20,000 indigent Americans.

Why In-House Pro Bono?

Is it an ethical obligation in its own right?

ABA Model Rules of Professional Conduct, Rule 6.1, Voluntary Pro Bono Publico Service:

> ***Every lawyer has a professional responsibility to provide legal services to those unable to pay. A lawyer should aspire to render at least (50) hours of pro bono publico legal services per year.***

Why In-House Pro Bono?

State rules vary in their adoption of Model Rule 6.1:

"Every lawyer has a professional responsibility to provide legal services to those unable to pay."

- Utah

"Lawyers are strongly encouraged to provide pro bono legal services to benefit poor persons."

- New York


What In-House Pro Bono Opportunities Exist?
Food Stamp Clinic
Disaster Relief Assistance
Immigration
Limited Scope Representations
Hot Line Response
Pre-hearing Courthouse Advice
Lawyer of the Day Clinics
Chat Bot Responses
Volunteer Mediator Services
Full Scope Litigation Representation
Wills and Healthcare Directives
Water Crisis Clinic
Nonprofit Survival Clinic
Public Benefits Advice
Legal Audit Clinics for Nonprofits
Teaching Classroom Style Legal Courses
Form Completion and Pleadings Preparation
Expungement Assistance
Veterans Benefits Advice
Partnerships with Law Firms
Collaboration with Legal Aid Service Providers
Transaction Audit Advice


What In-House Pro Bono Opportunities Exist?
3M
ebay
amazon
Bank of America
STARBUCKS COFFEE
WELLS FARGO
PNC BANK
Microsoft
hp
invent
GM
General Motors
Ford
THE CLOROX COMPANY
CATERPILLAR

How Does In-House Pro Bono Work Within the Company?

Employer Support Is Needed, from the Top Down . . .

"In-house legal departments that do pro bono work are more highly engaged. They bring passion and purpose to these efforts, it's personally fun and rewarding to work with others on something different and meaningful, and it builds *esprit de corps.*"

- Ivan Fong, Sr. Vice President
Legal Affairs and General Counsel
3M Company

How Does In-House Pro Bono Work Within the Company?

… and the Bottom Up:

"I had not served on a nonprofit board before. I do corporate governance, but actually serving on the board [of Central Legal de la Raza, Oakland, CA] has helped me see what it's like in the boardroom, and I've been able to apply my day job to volunteering, which is really fulfilling."

- Stephanie Tang
Corporate Governance Attorney
The Clorox Company

How Does In-House Pro Bono Work Within the Company?

Garnering Employer Support:

- Mine the Corporate Social Responsibility Web Page
- Scour the Company's Foundation Mission Statement
- Issue a Legal Department Survey of Current Projects or New Areas of Interest of its Lawyers and
- Develop the Business Case

How Does In-House Pro Bono Work Within the Company?

Garnering Employer Support:

- Develop the Business Case
  1. **Community/Customer Benefits**
  2. **Positive Media Attention**
  3. **Retaining/Recruiting Legal Talent**
  4. **Internal Training and Networking Opportunities**

How Does In-House Pro Bono Work Within the Company?

Address Obstacles, like

What about conflicts?

- Ensure tight fit with corporate objectives and aims
- Establish a process
- Search adverse parties against lists of company customers, employees, partners, and leaders

How Does In-House Pro Bono Work Within the Company?

Address Obstacles, like

Don't we need malpractice insurance?

- **Sometimes, corporate general indemnification or corporate insurance doesn't cover pro bono**
- **Obtain pro bono coverage from existing insurer, a legal aid partner, partnering law firm's policy, endorsements to D&O or E&O policies**
- **Purchase pro bono policy from National Legal Aid and Defender Association**

How Does In-House Pro Bono Work Within the Ethical Rules?

Multi-jurisdictional Practice Rules

ABA Model Rule 5.5, Unauthorized Practice of Law:

> ***(d) A lawyer admitted in another United States jurisdiction or in a foreign jurisdiction, and not disbarred or suspended from practice in any jurisdiction or the equivalent thereof, or a person otherwise lawfully practicing as an in-house counsel under the laws of a foreign jurisdiction, may provide legal services through an office or other systematic and continuous presence in this jurisdiction that:***
>
> > ***(1) are provided to the lawyer's employer or its organizational affiliates, are not services for which the forum requires pro hac vice admission; and when performed by a foreign lawyer and requires advice on the law of this or another U.S. jurisdiction or of the United States, such advice shall be based upon the advice of a lawyer who is duly licensed and authorized by the jurisdiction to provide such advice***

How Does In-House Pro Bono Work Within the Ethical Rules?

Multi-jurisdictional Practice Rules

- **Many states now allow non-locally licensed lawyers to register to provide pro bono services where they live (e.g., California, Maryland)**
- **Fifteen states have reduced or eliminated licensing and registration requirements for pro bono work (e.g., New York, Illinois)**
- **CPBO "Summary of Multijurisdictional Practice Rules by State" including pro bono provisions available at www.cpbo.org -- MJPguide**

How Does In-House Pro Bono Work Within the Ethical Rules?

Competence

ABA Model Rule 1.1, Competence:

> ***A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness, and preparation reasonably necessary for the representation.***

How Does In-House Pro Bono Work Within the Ethical Rules?

Competence

ABA Model Rule 1.1, Comment [2]:

> ***"A lawyer need not necessarily have special training and handle legal problems of a type with which the lawyer is unfamiliar. A newly admitted lawyer can be as competent as a practitioner with long experience. . . . a lawyer can provide adequate representation in a wholly novel field through necessary study . . . [and] through the association of a lawyer of established competence in the field in question."***

How Does In-House Pro Bono Work Within the Ethical Rules?

Scope

ABA Model Rule 1.2, Scope of Representation and Allocation of Authority Between Client and Lawyer:

> ***(c) A lawyer may limit the scope of the representation if the limitation is reasonable under the circumstances and the client gives informed consent***

- Clinics, hotlines, online information, Lawyer of the Day programs are all limited scope, or unbundled services, arrangements.

- Use a limited scope engagement letter that clearly states what the lawyer will, and will not, do, and identifies risks of limited scope representation.

How Does In-House Pro Bono Work Within the Ethical Rules?

Communication

ABA Model Rule 1.4, Communication:

(a) A lawyer shall:

- ***(1) promptly inform the client of any decision or circumstance with respect to which the client's informed consent . . . is required by these Rules;***
- ***(2) reasonably consult with the client . . .;***
- ***(3) keep the client reasonably informed about . . . status . . .;***
- ***(4) promptly comply with reasonable requests for information; and***
- ***(5) consult with the client about any relevant limitation on the lawyer's conduct . . .***

(b) A lawyer shall explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation.

In-House Pro Bono Resources

Corporate Pro Bono (CPBO) website:

- The Business Case for In-House Pro Bono: www.cpbo.org/businesscase
- Pro Bono Development Guide: How to Start an In-House Pro Bono Program: www.cpbo.org/getstarted
- Best Practices Profiles: www.cpbo.org/resources/best-practice-profiles/
- Guide to Multijurisdictional Practice Rules: www.cpbo.org/MJP-Guide
- Professional Liability Insurance for In-House Pro Bono: www.cpbo.org/insurance
- Pro Bono Opportunities and Ideas:
  - CPBO **Clinic in a Box** Program: www.cpbo.org/initiatives/clinic-in-a-box/
  - Pro Bono Marketplace of Ideas: www.cpbo.org/Marketplace
- Benchmarking In-House Pro Bono:
  - 2016 Benchmarking Survey Report: www.cpbo.org/benchmarking2016
  - The **Corporate Pro Bono Challenge** Initiative: www.cpbo.org/cpbo-challenge

ABA Standing Committee on Pro Bono & Public Service - Corporate Counsel website: www.americanbar.org/groups/probono_public_service/resources/pro_bono_role/corporate_counsel.html

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Amy also co-chairs the firm's Financial Services Litigation group, and manages and defends financial services clients in regional defense programs involving high-volume and pattern litigation. Her financial services litigation experience extends to the representation of lenders, servicers and other financial industry clients in a wide variety of litigation matters including those involving lien priority disputes, servicing errors, origination claims, consumer disputes, statutory foreclosure mediations and petitions for judicial review, SEC receiverships, qui tam claims, MERS issues and HOA disputes.

Related Services

- Commercial Litigation
- Financial Services Litigation
- Intellectual Property and Technology Litigation
- Professional Licensure
- Real Estate Litigation

Representative Presentations and Publications

- "The Second Labor of Hercules - Battling Government Investigations," Panel Moderator, Network of Trial Law Firms CLE, Laguna Beach, CA (April 2018)
- "After the Worst Happens: The Punitive Damages Award on Appeal", Speaker, Network of Trial Law Firms Litigation Management Supercourse, Kiawah Island, SC (October 2016)
- "Punitives Slashed in Wyoming Carbon Monoxide Case: In a win for tort reformers, an appellate court embraces a 1-1 ratio of punitive compensatory damages," Featured, The American Lawyer (May 2016)

Professional Recognition and Awards

- Chambers USA, America's Leading Lawyers for Business®, Litigation: General Commercial (2017-2018)
- The Best Lawyers in America®, Commercial Litigation (2014-2016, 2018)
- 2013 Top Rated Lawyer in Technology, The American Lawyer & Corporate Counsel (June 2013)
- Utah's Legal Elite: Civil Litigation, Utah Business Magazine (2007-2009, 2012-2015, 2017-2018)
- Mountain States Super Lawyers®, Civil Litigation: Defense (2013-2018); Top 50 Women Lawyers (2014-2015, 2018); Top 100 (2018); Rising Stars Edition (2012)
- Litigation Counsel of America, Fellow (2009)

Education

- University of California, Berkeley, Boalt Hall School of Law (J.D., 1997) - California Public Employee Relations Journal, Berkeley, California (1995-1997); Recipient, American Jurisprudence Award, White Collar Crime (1996); Recipient, Dragonette Memorial Award for Outstanding Achievement in Civil Litigation Trial Practice (1997); Recipient, Prosser Prize, Civil Trial Practice (1997)
- Yale University (B.A., English, cum laude, with distinction, 1994)