

Contents

Executive summary	xi
About the author	xv
Acknowledgements	xvii
Introduction	xxi
Commercial litigation avoidance	xxii
Effective management of business litigation	xxiv
Foreign companies facing US litigation	xxvi
A California emphasis	xxvii
A litigator's unique perspective	xxviii
Assumptions and audiences	xxix
Part one: Understanding why companies are ensnared in costly litigation	1
Chapter 1: The five Cs of business litigation risks	3
Creating a business litigation risk profile	4
The closely related regulatory risk profile	8
Assessing commercial litigation risks – a five-part framework	11
Part two: Corporate governance litigation risks – claims from shareholders and other constituents of the business	17
Chapter 2: Basics of corporate governance litigation	19
Understanding shareholder litigation – a useful metaphor	20
Four recurring themes of corporate governance litigation	25
Seven legal concepts useful to understanding corporate governance litigation	30

Chapter 3: Ten sources of corporate governance lawsuits	39
1. Irreconcilable differences between ill-suited business partners ...	39
2. Failing to maintain the formalities and other best practices	42
3. Giving employees equity interests resulting in dual sets of obligations	43
4. Disputes over informational rights of shareholders, members and partners	45
5. Misleading constituents through fraudulent statements or omissions	47
6. Breach of fiduciary duty claims	49
7. Failing to make reasonable inquiries concerning risks to the company	55
8. Failure to implement a code of ethics and an effective corporate compliance program	56
9. Commingling and other separateness issues	59
10. Dealing with creditors and facing insolvency	60
 Part three: Litigation risks from commercial contract disputes ...	 65
 Chapter 4: Core issues in breach of contract litigation	 67
Navigating troubled waters	74
Is there an enforceable contract?	76
How and where is this dispute going to be resolved?	79
What are the substantive contract terms?	80
Are there statutory overrides for the contract or specific terms?	84
Were the contractual duties performed or excused (breach)?	88
What are the remedies for a breach of contractual duties?	91
 Chapter 5: Strategies for managing litigation risks arising from commercial contracts	 97
1. Manage the contracting and approval process	97
2. Formalize informal agreements	99
3. Be aware of the risk of preliminary agreements and agreements to agree	100
4. Scrutinize the scope of express indemnity provisions	101
5. Address termination scenarios and the risk of precipitous terminations	102
6. Specify which contract terms survive termination	104

7. Craft time limits and cure provisions that are appropriate	105
8. Consider how joint venture duties arise	105
9. Include an effective integration clause	106
10. Guard against claims that a contract was fraudulently induced	107
11. Prevent claims that a contract was modified by subsequent conduct and effectively modify written agreements	110
12. Preclude claims for extraordinary damages	112
13. Control where the battle will be fought and jurisdictional waivers	115
14. Ensure favorable law will be applied	116
15. Consider the pros and cons of arbitration	117
16. Decide whether an attorney fee provision is beneficial	126
17. Determine whether there are strategic benefits to waiving a jury trial	127
 Chapter 6: Lawsuits arising from negotiations and implied obligations	 133
Liability for bad faith during contract negotiations	141
Misuse of confidential information obtained in negotiations	145
Coercive negotiations constituting economic duress	147
Six practical ways to reduce the risks of claims arising from contract negotiations	149
Avoiding claims for breach of the implied covenant of good faith and fair dealing	153
 Part four: Customer claims including consumer protection class actions, product liability, and breach of warranty claims	 161
 Chapter 7: Customers presenting consumer protection and class action risks	 163
US class actions – a tough pill to swallow	165
Overview of US class actions	167
Basic requirements of a class action	168
The history and policies behind federal and state consumer protection statutes	168
The role and duties of class action lawyers	170
How class action lawyers make their millions	171

Why class counsel fee awards are exorbitant	172
How class actions are settled	174
The rise in pre-filing settlements	175
The California class action framework	176
The interrelationship between state consumer protection claims and federal regulations	183
Chapter 8: A framework for identifying consumer class action risks	189
What is said about the product or service?	190
What is not said about the product or service?	198
Facts pertinent to health and safety	200
What is said about the price, including fees and charges?	200
What is said about competitors or the market?	204
What is said about the transaction?	206
FTC’s “Click to Cancel” rule	209
How are the advertising statements conveyed?	210
Chapter 9: Additional litigation risks specific to product sales and distribution	223
Breach of warranty claims	225
Express warranties	226
Implied warranties	227
Modifications and disclaimers of warranties	228
Overview of the Magnuson-Moss Warranty Act	230
Song-Beverly Consumer Warranty Act	234
The New Jersey pitfall	235
Product liability claims	236
Chemical exposures in products	243
How Prop 65 works	243
Prop 65 litigation claims	244
The problems presented by Prop 65 claims	245
Avoiding a Prop 65 claim	246
Chapter 10: Strategies for mitigating specific customer litigation risks	255
1. Identify and prioritize the greatest customer litigation risks	256
2. Re-examine regulations that may buttress customer claims	256

3. Monitor regulatory activity	257
4. Become familiar with relevant litigation trends	257
5. Review insurance policies and exclusions	258
6. Explore indemnity rights and obligations	259
7. Consider SRO guidance, industry, and voluntary standards	260
8. Assess documentation relating to products or services advised, distributed, or sold to customers	261
9. Consider and utilize customer service data	261
10. Confirm effective assent to contract terms	262
The rise in consumer class action waivers	266
The other risk – mass arbitrations	268
The period in which to reject non-conforming goods	269
The period in which to bring a lawsuit (contractual statute of limitations)	270
11. Limit liabilities and remedies to the extent permitted	271
12. Consider product recall issues	272
13. Consider disproportionate liabilities that arise from incorporating component parts or ingredients in a product	274
14. Negotiate acceptable quality limits and failure rate provisions for large volume sales	274
Chapter 11: Claims relating to data privacy and cybersecurity	279
History and origins of privacy protections	282
A “cradle-to-grave” approach to privacy liabilities	283
1. The collection of consumer data	283
2. Uses and sharing of consumer data	288
3. Disclosures to the consumer regarding their data	294
4. Responses to consumers’ requests	299
5. The protection of consumer data from a breach	300
6. The required notices relating to a data breach	303
7. The disposal of consumer data	304
Privacy regulations applicable to particular industries and contexts	305
The ten questions to ask in evaluating risks of data privacy claims	307

Part five: Competitor lawsuits including misappropriation, interference, intellectual property, and antitrust claims 317

Chapter 12: Litigation risks relating to competitors 319

- The eight most common litigation theories asserted
 - between competitors 320
 - 1. Misappropriation of trade secrets 324
 - 2. Other litigation claims relating to employee mobility 333
 - 3. Registrable intellectual property 338
 - 4. Other Lanham Act claims 342
 - 5. Trade disparagement 343
 - 6. Antitrust violations 346
 - 7. California’s Unfair Competition Law and Unfair Practices Act 351
 - 8. Common law interference claims 352
- Things to consider before suing a competitor 354

Part six: Crewmember litigation – claims brought by, because of, or against employees 365

Chapter 13: Crewmember claims and other liabilities relating to employees 367

- The most common claims by employees against employers 368
- Preventing and reducing employment claims 392
- Claims arising from employees’ tortious actions 398
- Unethical or corrupt practices 399

Part seven: Litigation management after a lawsuit is filed 413

Chapter 14: Essentials of managing the six stages of commercial litigation 415

- Stage 1: Pre-litigation communications and demands 417
- Stage 2: Pleading and initial forum fights 423
- Stage 3: Discovery 429
- Stage 4: Pre-trial merits determination 432
- Stage 5: Trials and arbitration hearings 433
- Stage 6: Post-trial motions, appeals, and enforcement of judgments 437

Chapter 15: Foundational litigation management decisions	445
Selecting the right flight crew	445
The economics of litigation management	449
Working through the preflight checklist	453
Triangulated litigation	456
Revisiting the flight plan	459
Controlling litigation costs	460
Chapter 16: Further tips for navigating the litigation	
process to a successful conclusion	469
Documents	469
Depositions	475
1. Know the ground rules – the “blocking and tackling”	
of depositions	477
2. Know the issues in the case	478
3. Know the unpleasant surprises	478
4. Know what you don’t know	478
5. Know what you should know	479
The three problem deponents	480
Expert witnesses	481
The landing	483
Private mediations	484
Court officers and settlement conferences	484
Timing of settlement (the 80/20 rule)	485
A company’s evolving position on settlement	486
Business solutions	487
Alternatives to settlement or trial	488
Stipulated judgments	489
Closing thoughts on commercial litigation	489
About Globe Law and Business	495