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When in Rome...(U.S. Law Still Applies): Lessons of Wal-Mart, News Corp., and the Foreign Corrupt Practices Act

The old DC adage, never do anything you wouldn't want to see reported on the front page of the *New York Times*, must have taken on a very personal meaning to the senior management and directors of Wal-Mart and News Corp. Both companies have become targets of criminal investigations of possible violations of the Foreign Corrupt Practices Act (FCPA), 15 U.S.C. § 78dd-1 *et seq.*, only to see the allegations of misconduct splashed across the front pages of the Old Gray Lady. The FCPA, which prohibits U.S. companies and even foreign companies with substantial ties to the U.S. from bribing foreign government officials to win or keep business overseas, has been around since the late 1970's but was only sparingly invoked until about a decade ago, when the U.S. Department of Justice (DoJ) and the Securities & Exchange Commission (SEC) dusted off the statute and began bringing major cases against multinationals for alleged wrongdoing around the globe. For the DoJ and the SEC, enforcement of the FCPA has been a huge success, leading to billions of dollars in fines against companies and stiff jail terms for executives who orchestrated bribery schemes.

News stories this past April broke allegations that executives at Wal-Mart de Mexico, the largest foreign subsidiary of US-based Wal-Mart Stores, Inc., bribed Mexican officials to secure construction permits. In a similar vein, News Corp., already reeling from the

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INSIDE

Amy Candido Named One of Five Intellectual Property "Rising Stars" by *Law360*

Law360 recently named Quinn Emanuel partner Amy Candido one of the country's top five intellectual property partners under 40. "Rising Stars" were selected from more than 1,000 nominations based on the strength of their accomplishments in their respective practice areas. Amy was recognized for her significant accomplishments in several high-stakes patent jury trials and investigations by the U.S. International Trade Commission (ITC). In particular, *Law360* cited her victories for Google in its first two patent jury trials, both in the Eastern District of Texas, in which Amy played major roles in securing jury verdicts of both non-infringement and invalidity. *Law360* also cited her successful handling of IBM's damages case in the *Acqis v. IBM* jury trial.

Law360 also recognized Amy for her representation of Google and HTC Corp. in several high-profile patent matters concerning smartphone technology. The smartphone wars continue, and this summer Amy will again represent HTC against Apple before the ITC. Q

Quinn Emanuel Named to *The National Law Journal's* "IP Hot List"

The firm has been named to *The National Law Journal*'s inaugural "IP Hot List," and is one of only 20 firms earning this recognition. The IP Hot List recognized those firms that excelled in providing patent, copyright, and trademark legal services and demonstrated innovation by applying legal principles to fast-changing technology. *The National Law Journal* praised Quinn Emanuel's recent major victories in the ITC, including wins for Motorola against Apple's attempt to block the import of all Motorola smartphones and tablets into the U.S. and for six of the world's largest semiconductor makers in an ITC investigation initiated by Rambus. *The National Law Journal* praised the firm for the "thoroughness of its approach" and noted that its attorneys' "constant trial experience" distinguishes the firm from others. Q

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hacking scandal that last year toppled the company's U.K.-based tabloid, *News of the World*, came under criminal investigation, the DoJ announced, based on bribes allegedly paid to U.K. police and military in exchange for tips.

Press coverage of the Wal-Mart and News Corp. episodes has focused less on the bribery allegations themselves than on the initial steps senior management and board directors took to investigate internally upon first learning of the allegations. In both instances, the early investigation, and senior management and the board's roles in them, has come under withering criticism from many corners, with some going so far as to suggest perceived deficiencies in the early investigations may be grounds for charges of obstruction of justice.

In the face of this external scrutiny, companies should focus on how they conduct their internal investigations. Although diligent internal investigation will not necessarily inoculate a company from liability under the FCPA, it can help reduce the likelihood of an actual prosecution and mitigate any penalties. Conversely, a fumbled internal inquiry can significantly raise the risk to the company and its executives and board members. In Wal-Mart's case, for instance, the *New York Times* reported that a former executive of Wal-Mart de Mexico advised Wal-Mart's US management in 2005 that executives at the subsidiary had been systematically bribing Mexican officials to win construction permits in Mexico. Also according to the *New York Times*, the ensuing internal investigation turned up suspect payments in excess of $24 million and indications of concealment, but abruptly ceased without meaningful follow up or disclosure to the authorities. Then, some years later, in December 2011, Wal-Mart notified the Justice Department that it was conducting an internal investigation of possible FCPA violations by Wal-Mart de Mexico. The *New York Times* suggested that this notification to the DoJ was prompted by the *Times* approaching Wal-Mart about the allegations. When the company disclosed its ongoing inquiries in its SEC filings, its shares took a serious hit.

The allegations against Wal-Mart may very well prove unfounded and the company and the people caught up in the controversy are not only entitled to the presumption of innocence but deserve the public's reservation of judgment—after all, it would not be the first time that salacious allegations of misconduct in the press turn out to be little more than a mix of rumor, conjecture, and misstatements. Whatever the truth of the current reports concerning Wal-Mart or future reports about other companies, the reality is that companies have a very limited window in which to investigate properly, rectify, and self-report possible violations of the FCPA before risks and penalties escalate.

Of course, Wal-Mart and News Corp. are but two of countless companies facing potential FCPA exposure. The DoJ and the SEC now have units specially dedicated to FCPA cases and the Justice Department is getting more investigative support from the Federal Bureau of Investigation. Last year, FCPA enforcement actions reached 48, the second-highest level in the 34-year history of the Act, down from an unprecedented 74 actions in 2010.

Several business groups, including the US Chamber of Commerce, are rightly questioning whether the FCPA is too vague in certain respects and too unforgiving in others. These groups are seeking greater guidance from the DoJ and the SEC to help companies comply and get credit for self-disclosures, and they have even asked Congress to intervene. One idea is to codify into law credit for prompt discovery, internal investigation, and disclosure to the authorities. The DoJ and the SEC tell companies that they will receive credit for thorough internal investigations and prompt and accurate self-disclosures. Nonetheless, it is not unusual for companies to question what benefit they have actually received when law enforcement chooses to impose a harsh fine and threaten jail time for executives in the wake of a self-report. Codifying the benefits of self-disclosure—rather than leaving them purely to the discretion of prosecutors—would help encourage companies to detect and report problems they find, secure in the knowledge that they will receive appropriate credit from law enforcement for doing the right thing.

Unless and until Congress acts, companies should be organizing their legislative strategies even while implementing internal protocols and, if issues arise, conducting thorough, professional internal investigations that will help mitigate their risk in the meantime.

Waiting for Superman: The Ninth Circuit Finally Weighs in on the Selective Waiver Doctrine

On April 17, 2012, the U.S. Court of Appeals for the Ninth Circuit held in *In re Pacific Pictures Corporation*, that "a party waives attorney-client privilege forever by voluntarily producing privileged documents to the federal government." 2012 WL 1293534 at *1 (9th Cir. 2012). In doing so, the Ninth Circuit joined the majority of other circuits in rejecting the selective waiver of attorney-client privilege.

History of Selective Waiver

The theory of selective waiver provides that a party's voluntary disclosure of privileged materials to the government does not necessarily waive the privilege in civil litigation. The purpose of the rule is to encourage voluntary cooperation with government investigations.

The theory was first adopted by the Eighth Circuit in *Diversified Industries Inc. v. Meredith*, 572 F.2d 596 (8th Cir. 1978) (*en banc*). Since then, however, every other circuit to consider the theory has rejected it. *See In re Qwest Commc'ns Int'l*, 450 F.3d 1179, 1197 (10th Cir.2006); *Burden–Meeks v. Welch*, 319 F.3d 897, 899 (7th Cir. 2003); *In re Columbia/HCA Healthcare Corp. Billing Practices Litig.*, 293 F.3d 289, 295 (6th Cir. 2002); *United States v. Mass. Inst. of Tech.*, 129 F.3d 681, 686 (1st Cir. 1997); *Genentech, Inc. v. United States Int'l Trade Comm'n*, 122 F.3d 1409, 1416–18 (Fed.Cir. 1997); *In re Steinhardt Partners, L.P.*, 9 F.3d 230, 236 (2d Cir. 1993); *Westinghouse Elec. Corp. v. Republic of Philippines*, 951 F.2d 1414, 1425 (3d Cir. 1991); *In re Martin Marietta Corp.*, 856 F.2d 619, 623–24 (4th Cir.1988); *Permian Corp. v. United States*, 665 F.2d 1214, 1221 (D.C.Cir. 1981). Before *In re Pacific*, the Ninth Circuit twice deferred judgment on the issue, leaving it an open question as to whether the court would accept a theory of selective waiver. See *United States v. Bergonzi*, 403 F.3d 1048, 1050 (9th Cir. 2005) (*per curiam*); *Bittaker v. Woodford*, 331 F.3d 715, 720 n. 5 (9th Cir. 2003) (*en banc*).

Truth, Justice, and the American Way

In the 1930s, Jerome Siegel and Joe Shuster created Superman and ceded the intellectual property rights to D.C. Comics. Since Superman's first appearance in 1938, the creators and their heirs have been fighting with D.C. Comics over royalties. Around 2000, attorney and Hollywood producer Marc Toberoff approached the heirs with an offer to manage the preexisting litigation and to arrange for a new Superman film to be produced. Toberoff hired lawyer David Michaels to assist with the business, but Michaels worked for only three months before absconding with copies of documents from the creators' files. After a failed attempt to extort business from the heirs with the documents, he sent them anonymously to executives at D.C. Comics along with a timeline outlining in detail Toberoff's alleged plan to capture Superman for himself. Since then, the parties have been battling over what to do with those documents. D.C. Comics entrusted the documents to an outside attorney and sought to obtain them through discovery in the ongoing lawsuits over Superman. Toberoff resisted those efforts. In 2007, a magistrate judge ordered some of the documents, including the timeline, turned over to D.C. Comics. A few months later, Toberoff finally reported the incident to the FBI, and in December 2008 he produced some of the documents.

In 2010, D.C. Comics filed this lawsuit claiming that Toberoff interfered with D.C. Comics' contractual relationships with the heirs. Michaels' timeline was incorporated into the complaint. Toberoff asked the U.S. Attorney's Office to investigate Michaels, and it issued a grand jury subpoena for the documents, promising that if Toberoff voluntarily complied with the subpoena the government would "not provide the . . . documents . . . to non-governmental third parties except as may be required by law or court order." Toberoff voluntarily complied with the subpoena and turned the documents over without redaction or objection.

D.C. Comics immediately requested all of the documents disclosed to the U.S. Attorney, claiming that the disclosure waived all privilege. The magistrate agreed, reasoning that voluntary disclosure of privileged materials breaches confidentiality and is inconsistent with the theory behind privilege. The district court denied review and petitioners sought Ninth Circuit review through a writ of mandamus.

The Ninth Circuit Rejects Selective Waiver

In rejecting the theory of selective waiver, the Ninth Circuit held that producing documents to the government constituted a voluntary waiver of attorney-client privilege for all purposes -- even though the documents had been subpoenaed --

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Insurance Litigation Update:

***Supreme Court To Address Whether Statutory Injury Creates Article III Standing*:** In *Edwards v. First American Financial Corp.*, No. 10-708, the United States Supreme Court will decide an important question of Article III standing that will have broad-reaching impact on many industries, including the insurance and reinsurance industries. The Court will decide whether a plaintiff that alleges the violation of a statutory right, but no damage resulting from that violation, has standing to bring a case.

In *Edwards*, the plaintiff brought suit against her title insurer, claiming that the insurer had violated the Real Estate Settlement Procedures Act of 1974 (RESPA). RESPA prohibits kickbacks by certain entities that provide services related to real estate transactions. The plaintiff complained that her title insurer had paid kickbacks to title insurance agencies in exchange for referrals of business. However, she conceded that the alleged kickback had no effect whatsoever on the insurance she received or the price she paid.

The title insurer moved to dismiss, claiming Edwards suffered no injury sufficient to confer Article III standing. The district court denied the motion, and the Ninth Circuit affirmed finding that there was no requirement that a plaintiff allege any injury to assert a claim under RESPA. The Ninth Circuit concluded that RESPA gives plaintiffs a statutory right, the violation of which provides standing to maintain a cause of action. The Ninth Circuit's decision was consistent with prior decisions of the Sixth and Third Circuits, which had also found that plaintiffs had standing under RESPA regardless of whether they could allege that they suffered overcharge or other injury.

The Supreme Court granted *certiorari*. Twenty years ago in *Lujan v. Defenders of Wildlife*, 504 U.S. 555 (1992), Justice Scalia wrote that "injury in fact" was an element of the "irreducible constitutional minimum" of Article III standing. In *Edwards*, the Court must resolve the distinction (as noted by Chief Justice Roberts at oral argument) between an "injury-in-fact" (such as an overcharge) and an "injury-in-law" The case was argued on November 28, 2011 and remains *sub judice.*

The Supreme Court's decision in *Edwards* could have a significant impact on a wide range of commercial litigation. For insurers and reinsurers, the case will bear directly on a scourge of RESPA class action lawsuits pending against mortgage insurers in federal courts in California, Pennsylvania, and New York. In those cases, plaintiffs claim that reinsurance agreements between mortgage insurers and reinsurers that are affiliated with a lending bank constitute an illegal kickback under RESPA, despite the fact that these plaintiffs paid the "filed rate" for their insurance policy and thus suffered no monetary injury. *Edwards* also will have impact beyond the insurance and reinsurance industry. Notably, Facebook, LinkedIn, Yahoo, and Zynga have filed an amicus brief in the case addressing whether a broad ruling in *Edwards* will expose them to damages under statutes like the Wiretap Act, the Electronic Communications Privacy Act, and the Stored Communications Act.

Quinn Emanuel represents a mortgage insurer involved in several reinsurance related lawsuits alleging violations of RESPA.

Sports Litigation Update:

***District Courts Divided over Use of Football Players in Video Games*:** Recent disputes involving Electronic Arts (EA) have divided district courts in the Third and Ninth Circuits over whether the First Amendment insulates designers of video games from lawsuits when they use an athlete's likeness without permission and, if so, under what law.

This line of decisions began in 2009 in the Central District of California, where Jim Brown, a retired professional football player, filed an action claiming that EA violated the Lanham Act by wrongfully misappropriating his name, identity, and likeness when it included him as a player in the video game *Madden NFL* without his consent. *Brown v. Electronic Arts, Inc.*, No. 09-CV-1598, Doc. No. 43 (Order), at 3 (C.D.Cal. Sept. 23, 2009). While the game did not use Brown's name or jersey number, he alleged that the character in the video game had "nearly identical" statistics to his own and thus created a false endorsement. *Id.* at 3. The Court disagreed, holding that *Madden NFL* was an "expressive work" protected from his federal false endorsement claim. *Id.* at 6, 7. Because *Madden NFL* manifested enough creativity to be deemed an "expressive work," it triggered the two-pronged test established by *Rogers v. Grimaldi*: (1) that the relevance of the defendant's use of the plaintiff's likeness is relevant to the work; and (2) that the use does not explicitly mislead consumers. *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989). The Court concluded that use of Brown's likeness was not irrelevant to the game's content, and that EA's use of his likeness (if his "likeness" was used at all)—in the form of an anonymous, mis-numbered video game character—could not be understood by the public as an "explicit attempt" to signify Brown's endorsement of the game. *Brown*, No. 09-CV-1598, Doc. No. 43 (Order), at 6-8.

Less than five months later, in addressing a state-law claim, a court in the Northern District of California came to an arguably different outcome. In *Keller v. Electronic Arts, Inc.*, plaintiff Samuel Keller, a former college quarterback, alleged that EA's depiction of a football player in its game *NCAA Football* used his and other college players' likenesses without compensation, violating California's right of publicity law. *Keller v. Electronic Arts, Inc.*, No. C 09-1967 CW, 2010 WL 530108, at *1-3 (N.D. Cal. Feb. 8, 2010). While EA claimed that its use was protected by the First Amendment, the Court disagreed, holding that EA's use was "not sufficiently transformative" to implicate First Amendment protection. *Id*. at *3-5. The Court reasoned that, rather than depicting the player "in a different form," EA represented him as "what he was: the starting quarterback for Arizona State University" in a setting "identical to where the public" would have found him during his collegiate career—that is, on a football field. *Id*. at *5.

Finally, one year later, a court in the District of New Jersey reached the opposite conclusion. In *Hart v. Electronic Arts, Inc.*, a former college football player brought a claim under New Jersey's right of publicity law for using his likeness in *NCAA Football*—the same video game addressed in *Keller*. *Hart v. Electronic Arts, Inc.*, 808 F. Supp. 2d 757, 760-61 (D.N.J. 2011). The Court held that EA's use of Hart's likeness was sufficiently transformative to warrant First Amendment protection. *Id*. at 784 . In so holding, the Court asserted that *Keller* ignored one of the key components of *NCAA Football*: that "the virtual image" representing the football player could be altered by the user in "various formulations." *Id*. at 786-87. The Court found "this aspect of the game significant because it suggests that the goal of the game is not for the user to 'be' the player," but instead to be a "starting point for the game playing experience." *Id*. at 787. The Court concluded that players' images in *NCAA Football* is "one of the raw materials from which an original work is synthesized, [and] the depiction or imitation of the celebrity is [not] the very sum and substance of the work in question," *id*. (citations and quotation marks omitted), rendering its use transformative, and thus protected by the First Amendment. While the *Rogers* test typically is applied to Lanham Act claims, the Court nonetheless suggested that it may also apply to right-of-publicity claims, and stated that *NCAA Football* would be protected under the two-prong *Rogers* test if the Court were to apply it. *Id*. at 793.

This trio of cases reflects significant confusion in case law over the use of athletes in video games—specifically, whether (1) the proper standard is the two-pronged *Rogers* test or the "transformative use" test and (2) when the use of an athlete's likeness satisfies those tests. While all three cases are currently on appeal, their outcomes will likely have implications for the design of future video games bearing an athlete's likeness.

European Litigation Update:

***European Patent System Is in for Fundamental Changes*:** Adopting the European Patent Convention (EPC) and establishing the European Patent Office (EPO) – thereby allowing for a single application for a "European patent" (which is more precisely a bundle of national patents which are independent from each other) – was a major step towards harmonizing patent law in Europe. Yet, the EPC leaves infringement law and proceedings predominantly to its member states. In practice this means that a patent may be infringed in one jurisdiction by for example selling an infringing device whereas it may be held not infringed in another jurisdiction by selling the identical infringing device.

Stakeholders from Europe and abroad have come to terms with the European patent system. Nevertheless, the European patent system is soon to undergo a fundamental change. The European Union (EU) is aiming to adopt a regulation on unitary patent protection as well as an agreement on a unified patent court. In other words, the European unitary patent is just around the corner.

Decision making in the EU can be rather slow and painful. For more than ten years several drafts of agreements and regulations have been circulated,

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discussed, amended, and finally dropped. At that point the most promising plans on the creation of a European patent court was finally sunk by the Court of Justice for the European Union (CJEU) in March 2011. But then again, decision making in the EU can be rather swift. Since the decision of the CJEU, EU bodies have been deliberating on a proposal for a unitary patent system in Europe. It plans to adopt the latest proposal in mid-2012. This (at least by European standards) extremely fast process has been criticized widely, particularly for its lack of transparency.

Under the proposal, the unitary patent would be an optional adjunct to traditional national and European patents. The unitary patent would have – rather than the traditional national and European (bundle) patents – unitary effect in its member states. The unitary patent would be enforced by a unified patent court system. The unitary patent court would, among other things, include a Court of First Instance and a Court of Appeals. The Court of First Instance would be composed of a central division, as well as local and regional divisions in the contracting states.

Several points remain in controversy. Besides the typical European language issues, the seat of the central division is one of the main issues. Several member states have thrown their hat in the ring, amongst them Germany, the United Kingdom, and France. At present it appears that the central division will be located in Paris with branches in London and Munich. Furthermore, the composition of the courts will be complicated since proportional representation has to be dealt with. Another point of concern is whether or not to include substantive patent law as opposed to merely procedural patent law in the regulation. Critics argue that the judges at the CJEU are not sufficiently qualified to rule on substantive patent law issues. Indeed, for now the pendulum seems to be swinging in favor of deleting the provisions regarding substantive patent law.

Since several public and non-public drafts are circulating at the moment and the decision making process is indeed not very transparent, it is hard to make reliable statements about how the court will be implemented. An update will follow as soon as a decision has been reached by the competent bodies. It will likely take several years until the new European patent system will be established and the first cases will be litigated in front of the unitary patent court.

Japan Litigation Update

The IP High Court Addresses Trademark Infringement Liability of Internet Shopping Websites: In *Perfetti Van Melle S. p.A v. Rakuten Co., Ltd.*, the Intellectual Property (IP) High Court in Tokyo addressed the issue of whether Rakuten, who organizes a website in which numerous independent stores and dealers can sell goods on the Rakuten website (called an "internet mall" in Japanese), could be liable for trademark infringement committed by those stores. Although the court dismissed the suit and found the defendant Rakuten not liable, the court recognized that an internet mall can be liable in certain circumstances.

The plaintiff Perfetti Van Melle is an Italian entity that holds trademarks to "Chupa Chups," a famous candy. The defendant, Rakuten, operates the biggest internet mall in Japan, called "Rakuten Ichiba." The plaintiff claimed that several shops using the Rakuten website were committing trademark infringement by selling items such as mugs, caps and baby bibs that incorporated the "Chupa Chups" trademark. The plaintiff sued Rakuten seeking an injunction and damages under the Japanese trademark law and unfair competition law. Rakuten argued that it was not liable because it was merely the administrator of the website, and not the shop that directly sold the products accused of trademark infringement.

The IP High Court held that the threshold test for finding the administrator of an internet mall liable depends on whether the administrator receives commissions from the shops, has power or control over the shops, and knows or should have known of the existence of trademark infringement by the shops. If the test is satisfied, then the administrator can be held liable for damages and be subject to an injunction for the infringement unless the administrator removes the infringing products from the website within a reasonable time period. Applying this test to the case, the court concluded that Rakuten was not liable because Rakuten had removed the infringing products within a reasonable time after learning of the infringement.

The decision of the IP High Court leaves unclear when an administrator "should have known" of the infringement or what it means to remove the infringing goods "within a reasonable time." Nevertheless, website administrators may now have to investigate if goods sold on the internet mall are infringing trademarks and remove them if they are costs.

Japanese SESC Accelerates Its Enforcement Activities: The SESC, the Japanese version of the SEC, has stepped up its investigations of insider trading allegations related to public stock offerings of Japanese companies. Recently, there have been instances where stock prices have fallen immediately before offerings were publicly announced. Critics have argued that this pattern suggests that some traders are getting information about offerings from securities companies before the public announcement of the offerings. Using this information, the traders sell the issuing company's stock at a higher price in anticipation of a stock price drop due to the increase in capital, which leads to the stock price drop prior to the public announcement of the offering. Seeking to address potential insider trading, the SESC has opened a number of investigations.

On March 21 and May 29, 2012, the SESC recommended the Japanese Financial Services Agency issue an administrative monetary penalty order against Sumitomo Mitsui Trust Bank, Ltd. for insider trading in relation to the 2010 public share offerings held by Mizuho Financial Group Co., Ltd. and Inpex Co., Ltd., respectively. In addition, on June 8, the SESC recommended an administrative monetary penalty order against First New York Securities L.L.C., a New York based broker-dealer, for insider trading in relation to the 2010 public offering by Tokyo Electric Power Co., Ltd. The charges alleged the use of confidential information of the public offering to sell the issuing companies' stock immediately before the public announcement of the offering. In each case, the employees providing the alleged information tips were from Nomura Securities Co., Ltd., a leading Japanese securities company and the underwriter in each instance. After the press release of the First New York case, Nomura officially admitted that they had tipped off traders to the confidential information.

In furtherance of its efforts to combat insider trading, the SESC also established in August 2011 an international trading investigation section that mainly handles overseas transactions, sometimes cooperating with the SEC.

Development on Introduction of a New Japanese Class Action System: Current Japanese laws provide no system comparable to the class action system in the United States. If a group of people suffers harm arising from a single cause of action and seeks to recover damages, all of the members of the group are required to either file individual suits or to jointly file a lawsuit. To improve consumer protection, the Japanese government is now in the process of drafting and passing legislation to introduce a new class action-like system. The Japanese government issued a summary of the proposal and is currently preparing the draft bill.

Although the details of the system might be changed when the bill is ultimately implemented, as it stands now, the new system would only allow a qualified organization (called a Specified Qualified Consumer Organization) to file an action on behalf of a class.

The proposed class action-like system consists of two stages. In the first stage, the qualified organization brings the lawsuit. A court conducts fact finding and makes a decision on issues which are common to all consumers who suffered harm. If a court finds that the defendant is liable for damages, the plaintiff organization gives notice to each individual consumer to join. At this point, the second stage commences with the involvement of the individual consumers to determine damages. Even if the plaintiff organization does not succeed in the first stage, consumers can still bring their own action.

Because plaintiffs are limited to the qualified organizations and consumers who actively participate in the procedure, the impact of this new system may be quite limited in comparison to the U.S. class action system. Nevertheless, the number of consumer damage cases in Japan will likely increase considerably.

VICTORIES

Twin Patent Victories for American Express

The firm recently won two patent infringement victories for American Express. The first was a summary judgment victory in the U.S. District Court for the District of Connecticut in *SpendingMoney LLC v. American Express Company and Visa U.S.A. Inc.*, Case No. 3:08-CV-01376-SRU (D. Conn.). The second was an appellate victory in the U.S. Court of Appeals for the Federal Circuit in *SmartMetric, Inc. v. American Express Company*, Case No. 2:10-CV-09371-JHN (C.D. Cal.), Appeal No. 2011-1473 (Fed. Cir.).

In the *SpendingMoney* case, SpendingMoney accused American Express's Travelers Cheque™ cards of patent infringement, and sought royalties and other damages. In an effort to narrow and focus the case, the firm sought an early *Markman* claim construction hearing. We then proceeded to argue and win our proposed construction of the key term in all of SpendingMoney's asserted patent claims, "satellite card." With our proposed claim construction in hand, we sought summary judgment of non-infringement, as the accused Travelers Cheque™ cards did not meet the District Court's definition of "satellite card." On March 27, 2012, the District Court agreed and granted the requested summary judgment of non-infringement and denied SpendingMoney's cross-motions to strike certain of American Express's declarations and other evidence. The District Court proceeded to enter final judgment for American Express on March 28, 2012. SpendingMoney has appealed, and the firm is representing American Express in this appeal to the U.S. Court of Appeals for the Federal Circuit.

In the *SmartMetric* case, SmartMetric accused American Express's contactless ExpressPay™ card products of patent infringement, and sought royalties and other damages. By the time SmartMetric sued American Express, SmartMetric's related case against MasterCard and Visa had already been pending for almost a year. To streamline and expedite the case, the firm again sought an early *Markman* claim construction hearing and sought to consolidate the two cases for claim construction purposes. We then proceeded to argue and win our proposed construction of the key term in all of SmartMetric's asserted patent claims, "insertion of said data card into said data card reader." Having won our proposed claim construction – which required inserting the card into the slot in a data card reader and not just waving the card in front of the reader as with contactless cards like ExpressPay™ – we sought and obtained a stipulation non-infringement from SmartMetric. The District Court entered final judgment for American Express on June 16, 2011 based on that stipulation. SmartMetric then appealed to the U.S. Court of Appeals for the Federal Circuit. After briefing and oral argument, on April 11, 2012, the Federal Circuit upheld the District Court's construction of the "insertion of…" claim term, and affirmed the District Court's final judgment in favor of American Express.

Ninth Circuit Victory for Shell

The firm recently obtained a significant victory for Shell Offshore, Inc. and Shell Gulf of Mexico, Inc. in the United States Court of Appeals for the Ninth Circuit in a decision that is critical to Shell's efforts to explore the Alaskan Outer Continental Shelf for oil and gas resources. In a published, precedential opinion issued only ten days after oral argument, the Court denied petitions for review challenging the Bureau of Ocean Energy Management's approval of Shell's Revised Camden Bay Exploration Plan. The Court also issued an unpublished memorandum opinion denying petitions for review of the agency's approval of Shell's Revised Chukchi Sea Exploration Plan.

Since 2003, Shell has spent billions of dollars acquiring oil and gas leases in the Beaufort and Chukchi Seas off the North Slope of Alaska, but it has yet to conduct exploratory drilling. The firm was retained after a different Ninth Circuit panel blocked a prior exploration plan in 2007, and we subsequently handled and won the appeal from the approval of the 2010 exploration plan (*see Native Vill. of Point Hope v. Salazar*, 378 Fed. App'x 747 (9th Cir. 2010)). However, a moratorium imposed following the *Deepwater Horizon* incident in the Gulf of Mexico prevented Shell from proceeding with exploration. Following agency approval of the revised 2012 exploration plans for the Beaufort and Chukchi Seas in August 2011, a group of environmental NGOs and local communities again brought legal challenges in the Ninth Circuit, and the firm was again retained to handle the appeals.

Petitioners argued that the agency had erred in approving the exploration plans because the plans did not contain certain information regarding oil spill response plans and equipment purportedly required under the Outer Continental Shelf Lands Act and its implementing regulations; because the agency did not reconcile purportedly conflicting record evidence with respect to relief well drilling;

and because the agency approved the exploration plans subject to conditions. Shell, which intervened to defend the approvals alongside the agency, argued that the exploration plans included all necessary information; that there were no conflicts in the record evidence requiring reconciliation; and that the statutory and regulatory scheme empowered the agency to approve the exploration plans subject to conditions.

The Ninth Circuit agreed with Shell and the agency, emphasizing the significant deference owed to an agency's technical analysis within its area of expertise. The Court held that the exploration plans contained all necessary information (with one exception that had been rendered moot by subsequent agency action); that the agency had no obligation to reconcile the supposedly conflicting evidence, but also that the agency's conclusions were in any event supported by the record; and that the agency's interpretation of the statutory and regulatory scheme to allow conditional approval was a reasonable interpretation that was likewise subject to deference. The Court therefore denied the petitions in their entirety.

Although Shell must still obtain or defend a number of other permits and approvals, the firm's successful defense of the exploration plans clears a significant obstacle to Shell's exploration activities. This is particularly important given the years, and the billions of dollars, that Shell has spent preparing for the planned exploratory drilling. Additionally, the Ninth Circuit's precedential opinion provides helpful guidance as to the limited nature of the informational requirements imposed by the Outer Continental Shelf Lands Act and once again reinforces the deferential standard that applies to technical decisions that fall within an agency's area of expertise.

London Victory

Quinn Emanuel has defeated Citigroup Global Markets Limited's ("CGML") bid in the English Courts to curtail US arbitration proceedings of a $350 million claim brought against one of its Citigroup affiliates in New York under the rules of the US Financial Industry Regulatory Authority (*Citigroup Global Markets Ltd ("CGML") v. Amatra Leveraged Feeder Holdings Ltd & Ors* [2012] EWHC 1331 (Comm)). The case is the first statement by the English Courts on the interaction between the FINRA regime and the jurisdictional and exculpatory language in the ISDA Master Agreement and Equity Derivatives Definitions.

CGML, which is an English entity, argued that because of various jurisdiction clauses in ISDA agreements that it had with some of the claimants in the American regulatory proceedings, it should be able to seek negative declaratory relief in England for the benefit of its American affiliate. However, the Commercial Court declined to exercise jurisdiction over CGML's claims. The Court ruled that the real issues in dispute were between the parties to the American regulatory proceedings, and that those proceedings should be allowed to run their course. The Court described CGML's claims as creatures of "*inappropriate forum shopping*", and remarked that, if it heard the claims, the English Courts would "*trample upon the territory*" of the American regulatory proceedings.

CGML had sought various negative declarations to the effect that the defendants did not have any contractual, tortious or statutory claims against it or its affiliates, which principally included the US entity Citigroup Global Markets Inc ("CGMI"). CGML brought its claim because, in August 2011, the defendants (together with others) brought arbitration proceedings against CGMI in New York under the rules of the Financial Industry Regulatory Authority, which is CGMI's American regulator (the "FINRA Arbitration"). The FINRA Arbitration claim is for approximately $350 million in losses arising out of the relationship between CGMI and entities associated with the third and fourth defendants, who are Saudi citizens.

CGML based its claim on an option transaction executed between CGML and the first and second Defendants in England during 2006 (the "Transactions"). The Transactions incorporated the ISDA Master Agreement (2002 form) and included a letter of non-reliance between CGML and the third Defendant, who is the ultimate beneficial owner of the second Defendant and has effective control of the first and second Defendants. CGML claimed that in letters provided as part of the Transactions, the first, second and third Defendants made various representations to CGML (amongst others) that they did not rely on any advice from CGMI in entering into the Transactions. The fourth Defendant is the father of the third Defendant, and is the ultimate beneficial owner of the first Defendant.

The Transactions were subject to English law and included jurisdictional clauses in favor of the English Courts. However, the Defendants challenged the jurisdiction of the English Court on the grounds that (i) CGML had no standing to bring claims against the Defendants in respect of CGML's

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affiliates, such as CGMI (the "Affiliate Claims"); (ii) the Affiliate Claims fell outside the jurisdictional agreements in the contractual documentation; (iii) for the third and fourth Defendants, England failed the forum conveniens requirement; and (iv) the fourth Defendant was not a necessary or proper party to the proceedings.

The Commercial Court declined to exercise jurisdiction to hear the Affiliate Claims on the grounds that the claims were without merit and outside the spirit of the jurisdiction clauses, and declined to exercise its jurisdiction at all in respect of the fourth Defendant on the grounds that he was not a proper party. Mr. Justice Andrew Smith also granted a case management stay in relation to the remaining parts of the proceedings until the FINRA Arbitration is determined, because he considered that, if the claims continued, there would be a risk of unwarranted interference with the FINRA regulatory regime.

Quinn Emanuel Clears the Air for National Car Industry

On Tuesday, June 26, Quinn Emanuel scored a major victory in the U.S. Court of Appeals for the D.C. Circuit for our client, the Alliance of Automobile Manufacturers, an association of U.S. automobile manufacturers. At issue was a series of greenhouse gas regulations promulgated by EPA in the wake of the Supreme Court's 2007 decision in *Massachusetts v. EPA*, which held that greenhouse gases may be regulated as an "air pollutant" under the Clean Air Act. The *Massachusetts* Court instructed EPA to determine whether such gases "may reasonably be anticipated to endanger public health or welfare." EPA subsequently made that finding (the Endangerment Finding), which in turn triggered the EPA's duty under the Clean Air Act to regulate emissions of greenhouse gases from mobile sources such as motor vehicles (the Tailpipe Rule). This regulation of mobile sources in turn triggered the EPA's duty to regulate, under other parts of the Clean Air Act, the emission of greenhouse gases by stationary sources ranging from factories to construction sites. Because such stationary sources emit far more greenhouse gases than any other type of pollutant, the extension of the Clean Air Act's restrictions to stationary sources' emissions of greenhouse gases involved substantial cost and impact. Recognizing this, the EPA used the doctrines of administrative discretion to modify the otherwise applicable statutory provisions by phasing in slowly (Timing Rule), and reducing in severity (Tailoring Rule), the new regulations of stationary-source emissions of greenhouse gases.

A host of industries (including the National Association of Manufacturers) and States (including Texas, Alabama, Louisiana, and Michigan) challenged all four rules (Endangerment Finding, Tailpipe Rule, Timing Rule, and Tailoring Rule) in the D.C. Circuit. These petitioners, though mostly concerned with the new regulation of greenhouse gas emissions from stationary sources, also trained their sights on the Endangerment Finding and Tailpipe Rule that triggered the Timing and Tailoring Rules. Our client, the Alliance, along with a similar industry group representing international manufacturers (represented by Gibson Dunn, & Crutcher, LLP), were the lone industry to intervene in support of the Tailpipe Rule (several states, including California, also intervened in support of EPA). For the automobile industry, the Tailpipe Rule represented a significant achievement because it allowed the industry to comply with a single set of federal standards, rather than a patchwork of state and federal standards. The automobile industry had already invested substantial resources in planning future model years of vehicles around the Tailpipe Rule, and did not want to see it invalidated as part of the stationary-source emitters' challenge. Quinn Emanuel filed a brief on behalf of the Alliance, arguing the importance of the Tailpipe Rule and explaining why, under the D.C. Circuit's precedents, the Tailpipe Rule should stand, regardless of the outcome of the Tailoring and Timing Rules.

The challenges to the four Rules were classified as complex by the D.C. Circuit and, after comprehensive briefing, were argued over two days in February. On June 26, the panel issued an 82-page decision denying the challenges to the Endangerment Finding and Tailpipe Rule, and dismissing the challenges to the final two rules for lack of standing. (For more details, *see* http://www.nytimes.com/2012/06/27/science/earth/epa-emissions-rules-backed-by-court.html?hpw.)

Class Action Victory for Fortune 200 Company

Quinn Emanuel obtained a complete victory for our client, a Fortune 200 company, in a series of class actions claiming a data breach by our client and a customer. The cases followed a highly publicized event in early 2011 in which our client's customer notified its subscribers that disk drives containing confidential consumer information could not be located. Numerous class actions alleging claims

Steve Madison and Rick Werder Elected to the American College of Trial Lawyers

Steve Madison and Rick Werder, partners in the firm's Los Angeles and New York offices, have been named Fellows of the American College of Trial Lawyers, one of the premiere legal associations in America. The American College of Trial Lawyers is composed of the best of the trial bar from the United States and Canada. Fellowship in the College is extended by invitation only after careful investigation, to those experienced trial lawyers who have mastered the art of advocacy and whose professional careers have been marked by the highest standards of ethical conduct, professionalism, civility, and collegiality. Q

(Victories continued from page 10)

under California's Confidentiality of Medical Information Act, unlawful business practices and related claims were brought in state and federal courts all over California, and ultimately consolidated in federal court. The cases sought $2 billion in damages.

The firm filed a motion to dismiss on behalf of our client, arguing among other things that an alleged loss of data alone does not confer standing on consumers without evidence of some actual injury in fact. The Court granted the motion and our client was dismissed out of the case. During the year that the case was pending, the firm also successfully staved off discovery from plaintiffs, securing the Court's agreement that no discovery should take place until the motion to dismiss was decided. The deferral of discovery and the ultimate outcome saved the client substantial fees and costs, to say nothing of the potential exposure. Q

(Noted With Interest continued from page 3)

because the heirs produced them without redaction or objection. It reasoned that voluntary disclosure of the documents was inconsistent with promoting full and frank attorney-client communications, regardless of whether the disclosure was to the government or a private party. The court stated that "to unmoor a privilege from its underlying justification . . . would at least be failing to construe the privilege narrowly, . . . [a]nd more likely, would be creating an entirely new privilege." *In re Pacific Pictures Corp*., 2012 WL 1293534 at *4. The court also noted that, since *Diversified*, there have been multiple legislative attempts to adopt the doctrine of selective waiver, yet most have failed: "Congress has declined broadly to adopt a new privilege to protect disclosures of attorney-client privileged materials to the government, we will not do so here." *Id.*

The fact that the heirs were victims (of having their documents stolen) did not warrant different treatment because "if it is unnecessary to adopt a theory of selective waiver to encourage potential defendants to cooperate with the government. It is even less necessary to do so to encourage victims to report crimes to the government," *Id. at* *5. It was similarly unpersuaded that, because Toberoff was a victim of the crime, petitioners were entitled to the common interest exception to waiver because "a shared desire to see the same outcome . . . is insufficient to bring a communication . . . within this exception." *Id. at* *6. Further, voluntary disclosure could not be cured by a post hoc confidentiality agreement such as the letter obtained in this case from the U.S. Attorney's Office. Thus, the Court found that the interest in encouraging cooperation with the government is outweighed by the interest in upholding the purpose of the attorney-client privilege.

Takeaways

- Waiving attorney-client privilege as to any third party—including the government—permanently waives the privilege in all other contexts.
- The mere existence of a subpoena does not render testimony or the production of documents involuntary.
- If the government subpoenas documents, counsel should assert the privilege, redact privileged portions, and file objections whenever possible. This reduces the likelihood that a court will find them "voluntarily" produced. Q

quinn emanuel
865 South Figueroa Street, 10th Floor, Los Angeles, California 90017

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quinn emanuel urquhart & sullivan, llp

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LOS ANGELES
865 S. Figueroa St., 10th Floor
Los Angeles, CA 90017
213-443-3000

NEW YORK
51 Madison Ave., 22nd Floor
New York, NY 10010
212-849-7000

SAN FRANCISCO
50 California St., 22nd Floor
San Francisco, CA 94111
415-875-6600

SILICON VALLEY
555 Twin Dolphin Dr., 5th Floor
Redwood Shores, CA 94065
650-801-5000

CHICAGO
500 West Madison St., Suite 2450
Chicago, IL 60661
312-705-7400

WASHINGTON, D.C.
1299 Pennsylvania Ave. NW, Suite 825
Washington, DC 20004
202-538-8000

TOKYO
NBF Hibiya Bldg., 25F
1-1-7, Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011
Japan
+81 3 5510 1711

LONDON
16 Old Bailey,
London EC4M 7EG,
United Kingdom
+44 0 20 7653 2000

MANNHEIM
Mollstraße 42
68165 Mannheim
Germany
+49 (0) 621 43298 6000

MOSCOW
Voentorg Building, 3rd floor
10 Vozdvizhenka Street
Moscow 125009
Russia
+7 495 797 36 66

HAMBURG
An der Alster 3
20099 Hamburg
Germany
+49 (0) 40 89728 7000