Toyota Wins $2.6 Million Award Against Former In-House Lawyer

By Ciaran McEvoy
Daily Journal Staff Writer

LOS ANGELES — Toyota Motor Corp. won a resounding $2.6 million victory in arbitration against a former in-house counsel who disclosed company secrets and alleged the automaker illegally concealed evidence in product liability litigation.

The ruling, entered Tuesday by private arbitrator Gary L. Taylor, brings an end to Toyota's contentious legal battle with Dimitrios P. Biller, who ran the legal department for the company's rollover crash division from April 2003 to September 2007.

Taylor, a retired federal district judge now with JAMS, ordered Biller to pay the $2.6 million in damages for leaking confidential company information to the media and for delivering thousands of documents to a Texas court on his own initiative. Biller improperly revealed specific facts and figures concerning Toyota settlements and litigation costs, according to the ruling.

"Mr. Biller did the professionally unthinkable: He betrayed the confidences of his client," Taylor wrote.

Taylor dismissed Biller's claims of civil racketeering and defamation against Toyota and several of its executives. He also ruled in Toyota's favor on all of its causes of action, holding Biller liable for breach of contract, conversion and unauthorized computer access. Biller must return all confidential documents to the automaker.

"A lawyer acting as a 'whistleblower' cannot simply decide to reveal a client's confidential information," Taylor wrote in his 15-page decision.

'Mr. Biller did the professionally unthinkable: He betrayed the confidences of his client.'

GARY L. TAYLOR
JAMS ARBITRATOR

Biller, 48, did not return telephone calls seeking comment.

He previously said he has roughly 6,000 internal Toyota documents showing the company routinely flouted and violated its discovery obligations. Congress subpoenaed those documents last year.

"We believe that the arbitrator's award clearly vindicates Toyota's position and reaffirms the critical importance of attorney-client privilege as a cornerstone of our legal system," said Christopher P. Reynolds, group vice president and general counsel for Toyota Motor Sales U.S.A. Inc. in an e-mailed statement.

"It's appropriate given Mr. Biller's conduct," said David L. Schrader of Morgan, Lewis & Bockius, who represented Toyota in the two-week arbitration proceeding.

Biller primarily represented himself, according to lawyers involved. The Loyola Law School graduate and licensed California lawyer since 1989 was a partner at Pillsbury Winthrop Shaw Pittman before joining Toyota. He blamed the company for a nervous breakdown he said he suffered while employed with the automaker.

In 2007, Toyota paid Biller $3.7 million as part of a severance agreement. The following year, Toyota sued Biller in Los Angeles County Superior Court, alleging he disclosed confidential company information at seminars for his legal consulting business. In July 2009, Biller sued Toyota in Los Angeles federal court, alleging the automaker flouted its discovery violations and conspired to ruin him.

Biller is suing Michael J. Faber — the attorney who negotiated his 2007 severance deal — for allegedly committing legal malpractice.

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State Lawmakers Target Automatic Citizenship

By Suzanne Gamboa
Associated Press

WASHINGTON — A group of Republican state lawmakers said Wednesday they hope to trigger a Supreme Court review of the Constitution's 14th Amendment or force Congress to take action with legislation they've drafted targeting automatic citizenship granted to U.S.-born children of illegal immigrants.

The lawmakers said the legislative proposals they want states to adopt won't lead to deportations. They unveiled their proposals during a National Press Club news conference that occasionally turned raucous when protesters in the audience shouted criticisms and supporters of the lawmakers tried to outshout and remove the protesters.

Pennsylvania state Rep. Daryl Metcalfe said the proposals are a "calculated, strategic step" to force the issue into the courts.

"We want to have our day in court," said Arizona state Rep. John Kavanagh. "All we're asking for is for these bills to prompt the Supreme Court to re-evaluate what we believe is an erroneous interpretation of the 14th Amendment."

Or, possibly they will make Congress consider tackling the issue, Kavanagh said.

Thomas Saenz, president of the Mexican American Legal Defense and Education Fund, called the efforts an assault on the Constitution.

The news conference coincided with the opening day of the 112th Congress, in which Republicans have control of the House and Democrats have a slimmer majority in the Senate than they had last session. Democrats failed to approve any immigration reform legislation last session while they controlled both chambers.

The citizenship proposals are an attempt by the lawmakers to avoid trying to alter the Constitution, which is more difficult. They are part of an attempt by some states to have a greater role in enforcing immigration laws, following the lead of Arizona, which passed a controversial law last year giving police greater powers to question people about their citizenship or legal status.

The lawmakers argued that eliminating automatic citizenship for children of illegal immigrants removes an incentive for people to come to the U.S. without permission. Kris Kobach, newly elected Kansas secretary of state and a Republican, said under the lawmakers' proposals "no one is deported."

Lawmakers portrayed their states as under siege of an "illegal alien invasion" and, when protestors criticized them, responded that they are standing up for victims of crime committed by illegal immigrants. They regularly referred to the U.S.-born children of illegal immigrants as "anchor babies," a term considered derogatory by some people.

South Carolina state Sen. Danny Verdin linked the efforts of the lawmakers to those who fought for slaves and their children to be recognized as citizens, which led to the 14th Amendment.

The lawmakers, members of State Legislators for Legal Immigration, are proposing two measures:

—A bill that would allow states to bestow state citizenship on their residents and U.S.-born citizens who meet the state's definition of a U.S. citizen. Under the draft bill, a person would have to be the child of at least one parent who owes no allegiance to a foreign sovereignty or is a child without citizenship or nationality in any foreign country. A legal permanent resident would be considered a person without allegiance to a foreign sovereignty, according to the draft proposal.

—An interstate compact that similarly defines who is a U.S. citizen. The agreement asks states to issue separate birth certificates for those who are U.S. citizens and those who are not. Interstate compacts are used frequently by states for numerous issues such as water rights agreements. They must be approved by Congress, but they do not require the president's signature to have the force of law.

Nicholas Farber, policy specialist at the National Conference of State Legislatures, said a compact faces a tough road to becoming final because it must be approved by the state legislative bodies of two or more states and signed by the states' governors, then receive House and Senate approval.

"With the makeup of Congress now, that is a high hurdle," Farber said.

The proposals drew quick opposition from immigration advocates and civil rights and civil liberties groups. Saenz said the notion of state citizenship was completely rejected through the Civil War.

Bypassing an Insurance Exclusion For Trademark Infringement

By Howard Leslie Hoffenberg

The exclusion for 'trademark infringement' in an 'advertising liability endorsement' of a commercial general insurance policy was narrowed by the 9th U.S. Circuit Court of Appeals in *Hudson Insurance Co. v. Colony Insurance Co.*, 624 F.3d 1264 (9th Cir. 2010), which held that a two-word phrase could have the dual capacity of being both a slogan and a trademark. Accordingly, there was a potential for coverage for a suit alleging trademark infringement, trademark counterfeiting and trademark dilution on the basis of slogan infringement.

The National Football League franchise team, Pittsburgh Steelers, has strong common law rights in the mark "Steel Curtain" and owns a state registration for the mark "Steel Curtain...Pittsburgh Steelers." The insured allegedly sold counterfeit jerseys, which read "Steel Curtain" across the back of the jersey. The jerseys were advertised on the insured's Web site where the back of the jersey could be read. NFL Properties brought suit against the insured on the above mentioned claims and the insured tendered to its carriers, Hudson Insurance Co. and Colony Insurance Co.

The insuring clause in the *Colony* case read as: "personal and advertising injury," defined as "injury...arising out of [the offense of]...[i]nfringing upon another's copyright, trade dress or slogan in your 'advertisement." Commercial general liability carriers regularly sell personal and advertising injury coverage as part of their commercial general liability policies, and this clause is typical of the insuring clauses found in many commercial general liability policies. There are three requirements for coverage. First, there must be an advertising activity by the insured. Second, the underlying action must implicate a specific "advertising injury" covered by the policy. Third, there must be a causal relationship between the alleged advertising injury and the insured's advertising activity.

In a claim for trademark infringement of a two word phrase, the two word trademark can also qualify as a slogan and trigger coverage notwithstanding an exclusion for trademark infringement.

The policy contained the following exclusion that the advertising coverage did not apply to "'[p]ersonal and advertising injury' arising out of the infringement of copyright, patent, trademark, trade secret or other intellectual property rights. However, this exclusion does not apply to infringement, in your 'advertisement,' of copyright, trade dress or slogan." During the mid-1990s, many carriers added an exclusion along these lines to their policies in response to staggering underwriting losses based on the high cost of defending such cases. For the most part, such an exclusion had the practical effect of excluding coverage for trademark infringement.

The 9th Circuit favorably endorsed the findings by Stephen G. Larson, a judge for the Central District of California, on his grant of partial summary judgment finding a potential for coverage. He found that "Steel Curtain" was used to promote fan loyalty and obviously is two words long. These are the hallmarks of a trademark. He also found that "Steel Curtain" was a "brief attention-getting phrase used in advertising or promotion." Accordingly, it qualified as a "slogan" under California law as defined by the Supreme Court in *Palmer v. Truck Ins. Exch.*, 21 Cal.4th 1109 (Cal. 1999). In affirming Judge Larson, the 9th Circuit further opined that it did not matter that the complaint never referred to "Steel Curtain" as a slogan but only as a trademark, and only alleged trademark infringement.

Associated Press

Two Pittsburgh Steelers helmets sit on the sidelines during football practice.

Of additional importance, the 9th Circuit cited with approval *Cincinnati Insurance Co. v. Zen Design Group Ltd.*, 329 F.3d 546 (6th Cir. 2003). In *Cincinnati Insurance,* the court held that "Wearable Light," which was referred to as a trademark, qualified as a slogan so as to invoke coverage, notwithstanding an exclusion for trademark infringement. The citing of this decision with approval is significant in that it fills in a slight gap left by the *Colony* court. Namely, the *Colony* court mentioned in passing that there was a trademark registration; but did not opine on how this might effect the analysis.

The *Cincinnati Insurance* court held in a footnote that the existence of registration actually enhanced the two word phrase qualifying as a slogan. In particular, that court wrote: "It is clear that not all slogans are trademarks. Additionally, Cincinnati's insurance policy applies generally to all slogans, not just those that are trademarked *registered*, and provides coverage for 'infringement...of slogan.' Moreover, even if we were to believe that a slogan must be a trademark *registered* to receive protection from infringement, we note that 'The Wearable Light' has been recently registered as a trademark."

Not all courts across the country agree and not all policies have the exact same language. The *Cincinnati Insurance* court distinguish the case in front of it from *Hugo Boss Fashions Inc. v. Federal Insurance Co.*, 252 F.3d 608 (2d Cir. 2001). In *Hugo Boss*, the court held that federal courts have defined trademarked slogans as "phrases used to promote or advertise a house mark or product mark, in contradistinction to the house or product mark itself."

For many defendants in a trademark action, the ability to get insurance coverage makes the difference between being able to defend the case or not. Even for well-financed defendants, the costs of defense can significantly impact operations and they too have a strong need to unlock a policy for coverage. With the bench growing more conservative, the carriers have been winning their coverage cases under advertising liability endorsements and the trend has been no coverage. The *Colony* case is a marked contrast to this trend. It provides an access road to get coverage on a thoroughfare that was seemingly closed; namely, in a claim for trademark infringement of a two word phrase, the two word trademark can also qualify as a slogan and trigger coverage notwithstanding an exclusion for trademark infringement.

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