High-Stakes Cases
Diverse Challenges. Winning Results.
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Our last litigation wins report highlighted only cases that Pillsbury lawyers won at trial, whether in court or before an arbitral tribunal. It was an extraordinary list of wins. The trial wins keep coming, as described in this year’s report. In addition to trial wins, this report includes some of our successes in protecting those trial wins (appeals), and it also features cases won before trial—through preliminary injunctions and dispositive motions. In short, we are proud of our winning record, however we get there.

The case studies that follow also highlight the diversity of our practice on multiple levels. They cover a wide variety of industries; they reflect an assortment of legal issues; and they arose in jurisdictions and venues across the United States and globally. And I am especially proud of the fact that many of the litigation teams highlighted in our report were led by women.

Individually and collectively, these wins demonstrate our unwavering commitment to working closely with our clients to achieve winning results, no matter how high the stakes or unusual the case.

This past year, we continued to add powerhouse litigators where our clients need us most. New to our firm are seasoned commercial litigators with particular experience in the financial services arena, accomplished international arbitration practitioners, and acclaimed legal minds expanding our presence in Asia and deepening our bench of multilingual lawyers.

And finally, let me say “thank you.” As always, the victories we describe are the direct product of each team’s close collaboration with our clients—both corporate counsel and business leadership. We thank all our clients for putting their trust in us and allowing us to share in their victories, large and small.

Please contact us anytime for more information about our litigation practice or for a fresh perspective on matters that are in—or headed toward—litigation.

Deborah B. Baum
Leader, Litigation Practice
Final Victory in Decade-Long Antitrust Case

The past decade has been a challenging time for the print media industry. Anderson News, the second-largest wholesaler of magazines at the time, decided to alleviate its own financial distress by imposing a surcharge on magazine publishers for every magazine it delivered. Faced with this substantial price increase, most magazine publishers took their business to other wholesalers that were not raising prices.

In response, Anderson News closed its doors—and sued magazine publishers, national distributors and other wholesalers, including our clients American Media Inc. and its subsidiary, Distribution Services Inc. The suit accused the publishers of conspiring to put Anderson News out of business through a group boycott, in violation of Section 1 of the Sherman Act. Anderson sought damages well in excess of $1 billion.

The U.S. District Court for the Southern District of New York granted our motion to dismiss, ruling that Anderson News had failed to state a claim. But the Second U.S. Circuit Court of Appeals reversed that decision, triggering three years of fact and expert discovery.

With a full factual record before it, the district court again dismissed Anderson’s claims, granting summary judgment for our clients and the other defendants. The court was unconvinced that a refusal to pay above-market prices was anticompetitive conduct, observing, “(A)fter six years of litigation, Anderson still [could not] explain why it was in Defendants’ interest to pay more per magazine, and assume substantial inventory costs.” The court concluded that Anderson had failed to present enough evidence that an agreement to boycott existed. As the district court observed, Anderson was driven out of business by its “ill-conceived and badly executed plan” to raise prices.

A recent, lengthy decision by the Second Circuit upheld the district court decision. The Second Circuit, carefully parsing the record, ruled that the evidence upon which Anderson relied to show that there was an agreement to boycott was insufficient. The U.S. Supreme Court denied that petition in March 2019, closing the book in our clients’ favor on this nearly decade-long battle.
Major Damages Awarded in Business Tort Case

When our clients’ entire business was misappropriated, a legal team from Pillsbury’s Miami office delivered a $370 million judgment, and at the same time helped to further define the law in Florida on disgorgement damages.

In 2004, Arkansas businessman Joe Samuel Bailey formed and opened a noninvasive spine surgery venture. His would-be funders, who were engaged in due diligence, conspired with certain officers of the newly formed business to steal the business lock, stock and barrel. The putative funders approached Mr. Bailey and made a lowball offer to take control of the business. “You’re going to accept this offer, or we’re going to take your doctors and we’re going to take your company,” they told him, according to testimony in the case. “And we’re going to go up the street, and we’re going to do it ourselves.”

Then they did exactly what they said they would do. They hired two of the company’s officers, as well as other key personnel, stole the business plan and other materials, and set up their own laser spine surgery operation up the street. It became a very successful business financially. Meanwhile, in effort to ensure that Mr. Bailey’s venture could not compete, the defendants discredited Mr. Bailey by falsely suggesting, among other things, that the FBI was investigating him for various nefarious activities.

Mr. Bailey and his affiliated companies sued, claiming breach of fiduciary duty, conspiracy, defamation, tortious interference and violation of the Florida Deceptive and Unfair Trade Practices Act. In 2012, after a six-week bench trial, a court found in Mr. Bailey’s favor and awarded compensatory disgorgement damages. But it calculated those damages at only $1.6 million. The Second District Court of Appeal, calling the award “grossly insufficient,” remanded the case with instructions to review the damages awarded and further held that plaintiffs established entitlement to a punitive damage award. The trial court added $5.75 million in punitive damages, but it left the compensatory damages unchanged.

Finally, after years of proceedings, the appellate court—in an unprecedented decision—not only reversed and remanded, but this time required the trial judge to enter a judgment for our team’s disgorgement demand of $264 million, plus $6.8 million in out-of-pocket losses for one of the plaintiffs. These amounts were in addition to the $5.75 million in punitive damages. In July 2019, the trial court entered a final judgment that, with interest, exceeded $370 million.

“[T]he ‘business model’ to which the court attributes the appellees’ success is the one it stole from the appellants along with its doctors, key employees and everything else.”

—Judge Patricia J. Kelly, District Court of Appeal of Florida
Setting Precedent in Construction Insurance Law

A Pillsbury team secured an important appellate victory for global engineering, consulting and construction company Black & Veatch in February 2018. The case involved alleged design and construction issues across multiple power plant projects, and it involved cutting-edge issues of insurance law.

A Tenth U.S. Circuit Court of Appeals panel ruled that Black & Veatch had the right to seek coverage from its insurers for liabilities related to subcontractors’ mistakes. The panel reversed a lower court’s finding that Black & Veatch was not entitled to coverage under state law in New York for damages suffered due to alleged poor work by its subcontractors at power plants in Ohio and Indiana. The appeals court held that damages resulting from poor workmanship constitute an occurrence triggering coverage under a commercial general liability policy.

The decision is an important development in the construction insurance industry. It goes against decades of lower court rulings in New York finding that defective workmanship can never give rise to an occurrence triggering coverage under a CGL policy. And although the decision is not binding on New York courts, it will have an impact on coverage cases in New York and beyond. It has already been cited in state, district and circuit courts around the country.

“We conclude the damages constitute an ‘occurrence’ under the policy because they were accidental and harmed a third party’s property.”

—Judge Scott Matheson Jr., writing for the majority, Tenth U.S. Circuit Court of Appeals
Protecting a Bike-Share Client’s $35 Million Investment

In 2015, San Francisco and four other Bay Area cities lacked a viable bike-share program like the ones in other major U.S. cities such as New York and Washington, DC. Bay Area Motivate offered to change that situation. It would fund a bike-share program on one condition: Motivate would be the region’s exclusive bike-share operator for at least 10 years. The five Bay Area cities agreed to the deal in December 2015.

Three and a half years later, after Motivate (now owned by Lyft) had invested more than $35 million to launch and operate the region’s bike-share program—including $15 million in San Francisco alone—San Francisco began to solicit applications from other bike-share companies to operate their own citywide programs with dockless bikes (bicycles that can be locked without a dock). San Francisco claimed that Motivate’s right to exclusivity did not extend to dockless bikes because the December 2015 contract did not expressly mention dockless bikes.

Shortly afterward, Motivate sued San Francisco and moved for a preliminary injunction to preserve its right to exclusivity. The motion was vigorously contested not only by the city, but also by Uber’s subsidiary Jump after it intervened in the litigation. Jump and the city claimed that the December 2015 contract relates only to docked bikes and that the parties could not have intended it to cover dockless bikes because those bikes were not “viable” at the time.

In the end, however, the court found the extensive factual record developed by Pillsbury’s team persuasive. The evidence showed that the parties did indeed intend a broad grant of exclusivity that covers both docked and dockless bikes. The court entered Motivate’s requested injunction after a lengthy hearing attended by local press and bike-share enthusiasts alike. As Motivate’s ability to realize the benefit of its bargain depends heavily on exclusivity, the injunction was necessary to protect the Bay Area bike-share program and Motivate itself from serious financial jeopardy.

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Client: Lyft Inc./Bay Area Motivate LLC  
Industry: Micromobility  
Area of Law: Commercial litigation  
Venue: Superior Court of California, County of San Francisco  
Result: Preliminary injunction that preserves client’s right to be exclusive operator of bike-share program in San Francisco
FTC Grants Unconditional Clearance for Global Eyewear Merger

In 2018, Pillsbury represented longtime client Luxottica Group S.p.A. in securing unconditional antitrust clearance from the U.S. Federal Trade Commission for its combination with Essilor Group S.A. The transaction, one of the largest in 2018, created a super-parent company, EssilorLuxottica, estimated to have a market capitalization of over $50 billion, some 140,000 employees and operations in more than 150 countries.

Headquartered in Milan, Italy, Luxottica is a leading firm for eyewear frames. It is the parent of well-known U.S. retailers such as LensCrafters and Sunglass Hut, owns the iconic eyewear brands Ray-Ban and Oakley, and manufactures frames and sunglasses under brands such as Prada and Armani. Essilor is a global leader in lens manufacturing and innovation, owning laboratories around the United States. Among its best-known lens brands are Varilux progressives and Transitions photochromic lenses.

The size of the transaction garnered substantial media attention as well as scrutiny from antitrust enforcement agencies around the globe. The antitrust issues in the U.S. were extraordinarily complex because both parties are active in various segments of the industry. The FTC examined a wide range of antitrust theories—vertical (supplier/buyer), horizontal (direct competition) and potential competition—involving a wide range of the parties’ products and services.

Our lawyers, and the economists they retained, provided large amounts of documentation and data to facilitate the FTC’s review. Their submissions persuaded FTC staff that the proposed transaction would not lessen competition in any relevant market. The investigation occurred during a period of Washington’s renewed interest in aggressive merger enforcement, as well as a reexamination of the appropriate standards to apply in challenging vertical mergers.

Nevertheless, after more than a year-long investigation, the FTC published a rare statement announcing the closing of the matter without any remedial action. “FTC staff extensively investigated every plausible theory and used aggressive assumptions to assess the likelihood of competitive harm,” the statement said. “Assessing the likely competitive effects of a proposed transaction is a fact-specific exercise that takes into account the current market dynamics, which may be different in the future. Here, however, the evidence did not support a conclusion that Essilor’s proposed acquisition of Luxottica may be substantially to lessen competition in violation of Section 7 of the Clayton Act.”

In recognition for our work on the transaction, Pillsbury earned an M&A Atlas award for Global M&A Deal of the Year (Large/Mega-Market).
Prevailing at Trial Against a Determined Plaintiff

Pillsbury lawyers represented the Virginia Conservation Legacy Fund and its affiliate ERP Compliant Fuels in their $860 million purchase of Patriot Coal’s assets in bankruptcy. The Financial Times hailed this transaction as the most innovative North American law firm engagement of the year in the category of unlocking and delivering value. But it almost didn’t happen.

On the eve of closing this highly complex deal, in which VCLF and ERP were to assume more than $400 million in environmental and employee liabilities from Patriot Coal, hedge fund lender Black Diamond Commercial Finance LLC insisted on new, onerous terms for the $25 million in financing it had committed to provide. After VCLF and ERP rejected the demands, Black Diamond filed suit.

Our lawyers and their clients managed to close on the purchase without Black Diamond’s funding, but a battle royal ensued in court. Black Diamond initially filed in New York state court. After 10 months of contested motions in several venues, our team succeeded in transferring the lawsuit to the Bankruptcy Court in Richmond, Virginia.

After this series of early defeats, Black Diamond commenced a yearlong campaign of scorched-earth litigation and discovery, apparently intended to get VCLF to submit. That tactic likewise failed: Pillsbury forced Black Diamond to proceed to depositions, expert discovery and trial—at which Black Diamond sought more than $67 million in damages against VCLF.

Following an eight-day trial in June 2018, and extensive post-trial briefing, Judge Keith L. Phillips of the U.S. Bankruptcy Court of the Eastern District of Virginia issued an opinion completely rejecting Black Diamond’s claims against VCLF for breach of contract and damages, holding, as our team contended, that Black Diamond had itself effectively withdrawn its financing commitment and was therefore not improperly excluded from the deal.

“In sum, Black Diamond had the burden of proving that VCLF breached the Commitment Letter. It has failed to meet that burden.”

—Judge Keith L. Phillips, U.S. Bankruptcy Court of the Eastern District of Virginia
Keeping Our Client out of the Fray Altogether

A dispute between Japanese pharmaceutical giant Eisai Co. Ltd. and clinical trials contractor PharmBio threatened to drag long-time Pillsbury client IQVIA in as a direct defendant in a $100-million-plus arbitration proceeding.

After Eisai contracted with PharmBio to manage clinical trials for potential new oncology pharmaceuticals, PharmBio subcontracted with IQVIA to perform those trials. When a dispute thereafter arose between Eisai and PharmBio, the contract between those two companies stipulated that the matter would be heard and determined in arbitration. (IQVIA had a separate contract with PharmBio.)

Long after that arbitration panel had already been selected and the arbitration schedule already set, and nearly a year into the arbitral process, Eisai sought to have IQVIA made a defendant to the arbitration. Eisai argued that, while not a signatory to the agreement in question, IQVIA was a beneficiary, and so could and should be named a defendant. The arbitration panel seemed poised to agree.

But Pillsbury took the matter to the Commercial Division of New York State Supreme Court and, within two months of being engaged, secured a total win for IQVIA. The court ruled that “compliance with document subpoenas as a non-party to the arbitration does not convert [a company] into a participating party,” affirming IQVIA’s role solely as only an indemnified witness.
Robotic Vacuums Clear
ITC Section 337 Challenge

When a market-leading maker of robotic vacuum cleaners attempted to sweep aside competition by accusing its rivals of patent infringement, Pillsbury’s IP Litigation team helped three companies defuse the threat to their product lines in the U.S. market.

Roomba maker iRobot Corp., an early entrant and central player in the robotic vacuum market, sought to tilt the competitive landscape further in its favor by accusing Hoover, bObsweep and Shenzhen Silver Star Intelligent Technology Co., along with six other companies, of infringing six patents. By the time the matter reached trial, only Pillsbury’s clients and one other company remained (the others having settled).

The administrative law judge determined that two of iRobot’s fundamental patents were invalid and that iRobot had failed to prove infringement on a third. (A fourth patent claim had been dismissed on summary determination months earlier.)

When iRobot petitioned for the International Trade Commission (ITC) to review the administrative law judge’s nearly 400-page opinion in July 2018, the other remaining company settled, leaving just Pillsbury’s clients. The ITC decided that Pillsbury had proven that iRobot’s fundamental patents were invalid. But, it concluded, one other patent had been infringed. By this time, Hoover, bObsweep and Silver Star had discontinued the prohibited products, and newer models, which were found not to infringe, had taken their places.

Estimated as a $3.36 billion industry in 2016, the robotic vacuum market is projected to almost double by 2022, and the stakes are high for those competing in the manufacture and sale of these products. Thanks to the ITC ruling, our clients can continue to advance their positions in the industry in the United States.
New Oil and Gas Permitting Process Withstands Litigation Onslaught

After Kern County, California, adopted a streamlined permitting process (Ordinance) for oil and gas activities, environmental groups and farmers filed multiple lawsuits seeking to invalidate the Ordinance and enjoin the permitting of thousands of new wells. These lawsuits posed a major threat to California’s oil industry—the vast majority of the state’s oil is produced in Kern County. Pillsbury successfully defended the Ordinance and defeated all efforts to enjoin the permitting of new oil and gas wells.

With approximately 75 active oil and gas fields, and over 2,500 new wells drilled every year, Kern County is the top oil-producing county in the nation, and accounts for approximately 80 percent of oil and natural gas produced in California. Western States Petroleum Association (WSPA) and Pillsbury, in coordination with Kern County, helped develop the Ordinance to provide streamlined permitting and regulatory certainty for the petroleum industry. In exchange for a ministerial permitting process—to avoid the inevitable delay, expense and redundancy of separate environmental reviews for every new well or group of wells—WSPA and other industry groups supported the Ordinance’s notice and review procedures, scores of new upfront mitigation measures, and many environmentally protective development standards.

Three different groups of petitioners, including environmental organizations and agricultural interests, sued to challenge the Ordinance and underlying Environmental Impact Report (EIR). Petitioners claimed the EIR failed to adequately analyze and mitigate myriad impacts, including impacts to agriculture, water resources, air quality, greenhouse gas emissions, biological resources and noise. Some petitioners also attacked the ministerial nature of the Ordinance, seeking a declaration that each new permit applied for under the Ordinance is discretionary and requires separate environmental review. Another petitioner claimed the county should have adopted a conditional use permit alternative to the Ordinance.

On behalf of WSPA and other industry groups (who were sued as real parties in interest), Pillsbury defeated all these claims. The Superior Court upheld the Ordinance and affirmed the ministerial nature of the county’s permitting system.

Pillsbury is now defending the Superior Court’s judgment on appeal.
A recent U.S. appellate court victory not only showcased Pillsbury’s ability to meet the needs of Asian clients in commercial disputes but also set important precedent on diversity jurisdiction.

Our client, Hong Kong limited company Zhongzhi Enterprise Group, obtained a multimillion-dollar judgment in the U.S. District Court for the Western District of Missouri against Jet Midwest Group LLC. The case centered on Jet Midwest’s failure to repay an aircraft financing loan. The loan agreement was governed by Hong Kong law.

After the district court denied our motion for attorneys’ fees, we appealed to the Eighth Circuit Court of Appeals. There, Jet Midwest challenged the district court’s subject matter jurisdiction. The lower court had held that a Hong Kong limited company should be treated as a corporation for diversity purposes, meaning that our client and U.S.-based Jet Midwest came from two different jurisdictions. On appeal, Jet Midwest argued that a Hong Kong limited company is not a corporation but more like a U.S. limited liability company, and that its citizenship therefore could only be determined by investigating where its members are domiciled.

The Eighth Circuit found in favor of our client on the jurisdictional issue, agreeing that a Hong Kong limited company should be treated as a corporation for diversity jurisdiction purposes. This decision sets a precedent, as the Eighth Circuit had not previously addressed the classification of foreign business entities in a diversity analysis. Pillsbury persuaded the Eighth Circuit to follow the Seventh Circuit’s test (instead of the approach followed in the Fifth and Ninth Circuits), focusing not on whether the entity technically is called a “corporation” in the foreign country’s legal system but instead on whether the entity has the specific attributes of a U.S. corporation, such as a board of directors and legal separateness from investors.

On the issue of attorneys’ fees, the Eighth Circuit agreed with our reading of the contract’s fee-shifting provision, opening the door to our client’s recovery of millions of dollars in fees. This is also the first time the Eighth Circuit has interpreted fee-shifting language in a contract governed by Hong Kong law.
Pro Bono and Public Policy

We proudly take on high-profile causes that draw the attention of policymakers in Washington, DC, as well as cases for indigent clients who need legal assistance in our communities.

The Power of Persuasion

It’s not easy to change a judge’s mind. Even a seasoned partner finds the task a challenge. Yet associates from Pillsbury achieved that feat in April 2018 to help a very special school stay in business.

New Roads School, in Santa Monica, California, has a mission of helping students from diverse social, economic, ethnic and racial backgrounds get a first-rate education. Pillsbury represented New Roads pro bono against claims that it had breached a promissory note of some $8 million. Defeat in a jury trial at Los Angeles County Superior Court would place the school’s existence in serious jeopardy.

The judge told our lawyers frankly that he believed their opponents had the law on their side. But then the associates assigned to the case worked with several partners to craft an argument about the interpretation of the contract in question. These efforts swayed the judge so completely that at the conclusion of the case, in response to the opponents’ motion for a directed verdict, the judge rejected every argument against our client.

The jury then found unanimously that the school was within its rights under the relevant agreements with the lender. New Roads was saved.

Justice for Transgender Teen

Together with Lambda Legal, a team of Pillsbury lawyers achieved an important victory in July 2018 on behalf of pro bono client Drew Adams, a Florida high school student, in the first transgender bathroom case ever to go to trial.

Lambda Legal filed the case against the St. Johns County School Board on behalf of Adams and his mother in June 2017 in response to the school board’s denial of Adams’ access to the boys’ restroom at Allen D. Nease High School because he is transgender. Adams, who began living openly as a boy in 2015, had used the boys’ restroom when he started his freshman year without incident but after an anonymous complaint was made, he was told he could only use gender-neutral restrooms—a 10-minute walk from his classes—or the girls’ restroom.

The Adams’ lawsuit argued that the school board’s policy to exclude transgender students from the restrooms that match their gender identity was unconstitutional because it discriminates based on sex, in direct violation of the Equal Protection Clause of the Fourteenth Amendment and Title IX of the 1972 Education Amendments Act. Ultimately, the U.S. District Court for the Middle District of Florida agreed.

“Drew Adams is just like every other student at Nease High School, a teenager coming of age in a complicated, uncertain and changing world. When it comes to his use of the bathroom, the law requires that he be treated like any other boy.”
—Judge Timothy J. Corrigan, U.S. District Court for the Middle District of Florida
**Escaping a Homophobic Homeland**

Life as a young gay man in the West African nation of Burkina Faso was a constant ordeal of persecution for George (a pseudonym for our pro bono asylum client). Family members, school teachers, neighbors and the police routinely administered beatings. In 2015, after a mob burned down his house, George fled his country. When he reached the U.S., he applied for asylum.

Pillsbury took on George’s case in collaboration with Immigration Equality, a national LGBTQ immigrant rights organization. Our lawyers worked hard to prepare the client for the most important interview of his life—an encounter with a U.S. Citizenship and Immigration Services officer. Hours of preparation and strict attention to detail helped put our client in the best position to succeed.

After a successful hearing, George was granted asylum in February 2018. He has since been accepted at a New York City community college.

**Securing Full Tribal Rights for the Cherokee Freedmen**

A long-running dispute between the Cherokee Nation and descendants of people once enslaved by the tribe—also known as Cherokee Freedmen—culminated in September 2018 with a momentous victory for the Freedmen, pro bono clients of the firm. After more than 15 years of contentious litigation, including prevailing twice at the U.S. Court of Appeals for the District of Columbia Circuit, the Cherokee Freedmen are now recognized as full Cherokee citizens, entitled to full tribal political rights and benefits under the law.

The Pillsbury legal team prevailed on cross-motions for summary judgment in August 2017 when Judge Thomas Hogan of the U.S. District Court for the District of Columbia held that the Treaty of 1866 between the Cherokee Nation and the United States requires the Cherokee Nation to provide Cherokee Freedmen with the same citizenship rights as native Cherokees. Following that ruling, the attorney general of the Cherokee Nation announced that the tribe would not appeal the decision and had begun accepting and processing Freedmen applications for citizenship. Our lawyers then secured a final judgment against the Cherokee Nation, thus cementing the citizenship rights of the Cherokee Freedmen.

Pillsbury also obtained from the U.S. Department of the Interior, which has oversight authority over the Cherokee Nation and other Native American tribes, commitments to help ensure the Cherokee Freedmen’s equal access to federal Indian Health Services and other federal benefits administered by other tribes. The parties to the case then filed a joint stipulated dismissal on behalf of the Freedmen, resolving all remaining claims related to the case.
ABOUT PILLSBURY

Pillsbury Winthrop Shaw Pittman LLP is an international law firm with a particular focus on the technology & media, energy, financial services, and real estate & construction sectors. Recognized as one of the most innovative law firms by Financial Times and one of the top firms for client service by BTI Consulting, Pillsbury and its lawyers are highly regarded for their forward-thinking approach, their enthusiasm for collaborating across disciplines and their authoritative commercial awareness.

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