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Top Verdicts of 2024: Pricewaterhousecoopers LLP v. City of Los Angeles

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In March 2015, the city of Los Angeles initiated a lawsuit against PricewaterhouseCoopers following several class action lawsuits related to the Los Angeles Department of Water and Power's problematic new customer billing system. The city accused PwC of breach of contract and fraudulent inducement concerning consulting work performed before the system's launch. Just a month later, another class action was filed against the city, which was swiftly settled, including $19 million in attorneys' fees. The city then attempted to convert the settlement costs and an estimated $300 million in anticipated remediation expenses into damages to be recovered from PwC. As the trial progressed, it became evident that the April 2015 class action and its settlement were part of a larger, criminally fraudulent scheme orchestrated by members of the Los Angeles City Attorney's Office, the LADWP and the city's outside counsel. This scheme led to federal guilty pleas, convictions, and imprisonment of former city officials and lawyers. The city tried to conceal this fraud through years of discovery abuse in its case against PwC. Gibson Dunn, representing PwC, exposed the city's fraud, leading to the dismissal of all claims against PwC with prejudice. The trial court also ordered the city to pay $2.5 million in sanctions for misuse of the discovery process under Code of Civil Procedure sections 2023.010 and 2023.030. "Gibson Dunn represented PwC from the outset of the litigation in 2015, and my appellate team and I stepped in after the Court of Appeal's split decision to persuade the Supreme Court to grant review (which happens in a small percentage of the cases brought before the Court) and to then reverse and rule in our favor," said Gibson Dunn partner Julian W. Poon, who led the Supreme Court team. However, a divided Court of Appeal overturned this award, stating that these sections do not independently authorize monetary sanctions for discovery misconduct. The case took another turn when the Supreme Court granted review and unanimously reversed the Court of Appeal's judgment. *City of Los Angeles v. PricewaterhouseCoopers*, 17 Cal. 5th 46. The Supreme Court reinstated the trial court's $2.5 million sanctions award in a detailed 45-page opinion authored by Justice Leondra Kruger. "In doing so, the court restored trial courts' full power under the Civil Discovery Act to sanction egregious and systemic patterns of discovery misconduct, including the worst of the worst such instances where the whole is greater than the sum of its parts," Poon said. He said the Reporter for the Civil Discovery Act had opined in independent writings that the provisions at issue in this case authorized sanctions only for the discrete acts of misconduct identified elsewhere in the method-specific chapters of the Act -- the position adopted by the Court of Appeal majority. "Additionally, we were asking the Court to depart from the view of the Reporter in order to reimpose millions of dollars in sanctions on a major governmental entity represented by well-connected opposing counsel," Poon said. He noted his team's argument that was briefed and orally argued to the Supreme Court focused on a close reading of the statutory text, which we tied to the longstanding principle that trial courts retain broad power to ensure orderly proceedings and enforce compliance with parties' discovery obligations. "The approach adopted by the Court of Appeal majority would have severely constrained trial courts' ability to sanction discovery misconduct -- especially the worst of the worst instances of systemic, serial discovery abuse and misconduct -- by requiring them to identify, and tie each dollar of sanctions awarded, to discrete instances of misconduct

Related People

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covered by different method-specific chapters of the Discovery Act," Poon said. "That would be nearly impossible in cases of pervasive, years-long misconduct (and criminality) of the sort exhibited by the city, city officials, and their inside and outside counsel in this case." The city has paid the judgement in full owing to PwC. **Case Details** Case Name: Pricewaterhousecoopers LLP v. City of Los Angeles Type of Case: Civil Discovery Court: State Supreme Court Judge(s): Los Angeles Superior Court, Elihu M. Berle; State Supreme Court, Leondra R. Kruger Appellant Lawyers: Gibson, Dunn & Crutcher, Julian W. Poon, Daniel J. Thomasch, Samuel E. Eckman, Ryan Azad Respondent’s Lawyers: Annaguey McCann, Kathryn L. McCann, Jason Y. Kelly; Los Angeles city attorney's office, Joseph A. Brajevich, Julie C. Riley; Ellis George, Eric M. George

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