

November 14, 2007

Issue No.269

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MALICIOUS PROSECUTION

California Law

By Jennifer A. Becker

Siebel v. Mittlesteadt (2007) 41 Cal. 4th 735

The Supreme Court holds that a post-trial settlement that does not amend an underlying judgment does not eliminate the “favorable termination” element of a malicious prosecution action.

Debra Christoffers sued her employer, Siebel Systems, Inc. (SSI) and the company's chief executive officer, Thomas M. Siebel for employment claims, alleging eight causes of action against Siebel individually. The first six were disposed of by demurrer, summary adjudication, or voluntary dismissal before trial. Christoffers failed to prove her claims against Siebel at trial, and he was awarded costs. Christoffers settled with Siebel, but the settlement specifically preserved Siebel's claims against Christoffer's attorneys, Richard Buell and Carol Mittlesteadt. Siebel then sued Buell and Mittlesteadt for malicious prosecution, alleging they pursued sex discrimination claims merely to force a settlement. The trial court granted summary judgment ruling that Siebel could not prove malicious prosecution because there had been no favorable termination.

The Supreme Court noted that to establish a cause of action for malicious prosecution, a plaintiff must demonstrate that the prior action (1) was initiated by

or at the direction of the defendant and legally terminated in the plaintiff's favor, (2) was brought without probable cause, and (3) was initiated with malice. Although malicious prosecution actions are disfavored, this principle will not defeat a legitimate cause of action or be the basis for new limitations without support in principle or authority on the substantive right.

The Court examined precedent that held that a statement in a post-trial settlement agreement to the effect that a party prevailed in litigation could not preserve a malicious prosecution action because the litigation terminated as the result of the parties' agreement and not based on the merits of the action. In the prior case the parties agreed to a new disposition and an amended judgment, not the jury verdict, ended the litigation. Siebel and Christoffers accepted different rights and obligations between themselves, but did not stipulate to a new judgment, and allowed the existing judgment to become final.

The Supreme Court disagreed that the element of favorable termination is eliminated whenever both sides give up something of value to resolve a matter. Otherwise a malicious prosecution would be foreclosed whenever a case is resolved by agreement. That would run counter to the policy favoring negotiated dispositions and bar legitimate malicious prosecution actions.

Comment: Although a malicious prosecution action still faces strict requirements, the Court is not inclined to entirely eliminate this tort.

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Siebel received a favorable judgment on the merits of the claims brought against him. The subsequent settlement did not amend the judgment on the merits as it related to Siebel, and he should not be penalized for reaching a settlement in the underlying action.

Cases discussing pre-trial settlements are inapposite, because a pretrial settlement obviates an adjudicated judgment on the merits. Nor was the Court persuaded that allowing Siebel to pursue his action would allow a defendant in an underlying action to implement a strategy to divide plaintiffs from their attorney, thereby discouraging settlements, increasing malicious prosecution actions, and disrupting the attorney-client relationship. The Court reasoned that their decision will facilitate positive outcomes by allowing for resolution of disputes among litigants on mutually satisfactory terms and will discourage litigation by reaffirming the policy in favor of non-frivolous actions. Neither the attorney-client relationship nor effective advocacy will be impeded where the attorney provides sound counsel and does not encourage baseless lawsuits.

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