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2 California Supreme Court Decisions of Interest And Why

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GENERAL RULE: NO RECOVERY IN NEGLIGENCE FOR PURELY ECONOMIC LOSS

Southern California Gas Leak cases (May 30, 2019) 7 Cal.5th 391 involved a massive natural gas leak near Porter Ranch, a residential neighborhood home to some 30,000 people. All told about 100,000 tons of natural gas escaped and about 15,000 people were relocated. This case involved a class action brought by local businesses within five (5) miles of the leak source who suffered purely economic losses due to the massive evacuation of the local population.

The California Supreme Court reiterated that liability in negligence for purely economic losses is the exception, not the rule. The primary exception to the general rule of no recovery for negligently inflicted purely economic losses is where the plaintiff and defendant have a “special relationship,” i.e., where the plaintiff was an intended beneficiary of a particular transaction which was harmed by the defendant’s negligence in carrying it out. For the class of businesses sustaining purely economic losses, the California Supreme Court elected to follow the majority of courts across the country in denying recovery in negligence for purely economic losses.

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PLAINTIFF'S ATTORNEY CAN BE SUBJECT TO CONFIDENTIAL SETTLEMENT AGREEMENT

In *Monster Energy Co. v. Schechter* (July 11, 2019) 2019 Cal. LEXIS 4889, the question was whether an attorney's signature approving an agreement as to form and content precludes, as a matter of law, a finding that the attorney also intended to be bound by the agreement. The particular agreement stated the plaintiffs *and their counsel* agreed they would keep completely confidential all the terms and contents of a settlement agreement.

The California Supreme Court concluded that an attorney's signature on a document with a notation that it is approved as to form and content does not, as a matter of law, preclude a factual finding that the attorney intended to be bound by the documents' terms. The intent question requires an examination of the agreement as a whole, including substantive provisions referring to counsel. Ultimately, the question must be resolved by the tier of fact.



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