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Appellate & Constitutional Law Update

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California Supreme Court Holds That The Civil Discovery Act Independently Authorizes Courts To Impose Monetary Sanctions For Engaging In Discovery Misconduct And Patterns Of Discovery Abuse

City of Los Angeles v. PricewaterhouseCoopers LLP, S277211 – Decided August 22, 2024

The California Supreme Court unanimously rejected the argument that courts may impose monetary sanctions only for discrete instances of misconduct outlined in the provisions of the Civil Discovery Act governing specific discovery methods. It held that the Act instead gives courts independent authority to impose sanctions for discovery abuses and patterns of discovery abuse beyond those specific provisions.

“Under the general sanctions provisions of the Civil Discovery Act, Code of Civil Procedure sections 2023.010 and 2023.030, the trial court had the authority to impose monetary sanctions for the City’s pattern of discovery abuse. The court was not limited to imposing sanctions for each individual violation of the rules governing depositions or other methods of discovery.”

Background:

The Civil Discovery Act contains several provisions authorizing courts to impose sanctions on parties engaged in particular forms of discovery misconduct, such as unsuccessfully opposing a motion to compel interrogatory responses or responses to a demand for inspection. It also contains a more general provision, in addition to those method-specific provisions, stating that a “court may impose a monetary sanction ordering that one engaging in the misuse of the discovery process” “pay the reasonable expenses, including attorney’s fees, incurred by anyone as a result of that conduct.” Cal. Civ. Code § 2023.030. The statute includes a non-exhaustive list of discovery abuses, such as making an evasive response or disobeying a court order to provide discovery. *Id.* § 2023.010.

In 2010, the City of Los Angeles retained PwC to modernize the City’s Department of Water and Power (LADWP) billing system. After several LADWP customers sued the City for billing errors, the City sued PwC, alleging that PwC had misrepresented its qualifications to undertake the project. One month after the City filed its lawsuit, a putative class action was filed against the City on behalf of overbilled LADWP customers. Shortly thereafter, the City entered into a settlement with the putative class in which it agreed to pay the costs of remediating billing errors and \$19 million in attorney’s fees.

It was eventually revealed that counsel for the City had engineered the class litigation and sham settlement to extort tens of millions of dollars from PwC. Yet the City engaged in more than two and a half years of discovery misconduct, such as asserting privileges in bad faith, refusing to comply with court orders requiring the production of documents, and lying to the court and to opposing counsel, in a concerted effort to cover up its fraudulent scheme—misconduct that has led to the federal guilty pleas and convictions of several former officials and lawyers for the City. After its discovery misconduct came to light and on the cusp of having to disclose further evidence of its wrongdoing, the City dismissed with prejudice its claims against PwC.

The trial court awarded PwC \$2.5 million in sanctions under Code of Civil Procedure sections 2023.030 and 2023.010, as well as the court’s inherent authority. But the Court of Appeal majority, over a dissent by Justice Grimes, reversed, holding that the Civil Discovery Act gives courts authority to impose monetary sanctions only for conduct described by other, method-specific provisions of the Civil Discovery Act that authorize sanctions for particular misuses of the discovery process.

Issue Presented:

Is courts’ authority to impose monetary sanctions for misuse of the discovery process limited to the particular circumstances expressly delineated in a method-specific provision of the Civil Discovery Act authorizing sanctions for particular forms of discovery misuse?

Court's Holding:

No. When confronted with a form or pattern of discovery abuse not addressed by a method-specific provision of the Civil Discovery Act authorizing sanctions for a particular form of discovery misuse, courts may impose monetary sanctions under sections 2023.030 and 2023.010, which give courts independent sanctioning authority.

What It Means:

- Under the Court's decision, courts are independently authorized to impose monetary sanctions for discovery abuses, especially systemic patterns of abuse, extending beyond the discrete forms of misconduct identified in method-specific provisions of the Civil Discovery Act, such as unsuccessfully opposing a motion to compel interrogatory responses or responses to a demand for inspection.
- The Court clarified, however, that courts should ordinarily look to the particular limitations and procedures set forth in method-specific provisions of the Act, and should invoke their independent authority to impose monetary sanctions under sections 2023.010 and 2023.030 to redress forms of discovery abuse, or patterns of abuse, not addressed or adequately addressed by a method-specific provision of the Act authorizing sanctions for a particular form of discovery misuse.
- Before imposing monetary sanctions, courts should abide by the procedures outlined elsewhere in the Act, such as affording the party accused of engaging in discovery misconduct notice and an opportunity to be heard and considering whether the party had acted with substantial justification.
- Although the Court did not address whether courts also had the inherent authority to impose monetary sanctions for discovery misconduct, it disapproved one Court of Appeal decision holding that courts lack inherent authority to impose monetary sanctions for discovery abuses.

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Gibson Dunn Appellate Honors



The Court's opinion is available [here](#).

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