

Daily Journal

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Top Verdicts

The largest and most significant verdicts and appellate reversals in California

TOP DEFENSE VERDICTS

Citizen Systems America Corp. v. SMTC Manufacturing Corp. of California et al.



FROM LEFT TO RIGHT, MARISSA M. DENNIS, SCOTT J. LEIPZIG, ABBY L. BLOETSCHER, TIM C. HSU

Companies run by the Tokyo-based Citizen Watch Co. Ltd. fought off a fraud suit by a food services provider that makes “Ziosk,” a touch-screen tablet used to order menu items and print receipts in restaurants such as Chilli’s, Red Robin and Olive Garden. The plaintiff sought damages of nearly \$200 million over claims the device’s printer component, made by Citizen, performed poorly in a restaurant setting. Citizen Systems America Corp. v. SMTC Manufacturing Corp. of California, YC070952 (L.A. Super. Ct., filed Nov. 12, 2015). The trial was over Citizen’s cross-complaint.

Allen Matkins Leck Gamble

Mallory & Natsis LLP partners Scott J. Leipzig and Marissa M. Dennis persuaded a jury after a two-week trial to return a nearly unanimous defense verdict. They did so by casting serious doubt on the plaintiff’s credibility on cross-examination by setting up a Hobson’s choice for SMTC’s officers: did they lie to their own company’s auditors and investors, or were their claims for a product recall and large damages illusory.

“Company officials say one thing to investors,” Leipzig said. “They talked about a rosy scenario for their company. Then they sued and alleged devastating losses. On the witness stand, it was a difficult spot for them to be in.”

The Allen Matkins team obtained in discovery both audited financial statements and detailed presentations to investors by the plaintiff company. Neither disclosed a recall as a contingent liability as required by generally accepted accounting principles, and the presentations did not alert investors to any lost profits.

“We made an impression as to which documents corresponded to common sense and reality,” Dennis said. “Their claim was simply not credible.”

Leipzig and Dennis said the outcome—the jury took just three hours to reach its verdict—is an important precedent for component suppliers such as Citizen that

case INFO

Fraud and breach of contract
Los Angeles County Superior Court Judge James A. Kaddo

Defense lawyers:
Allen Matkins Leck Gamble Mallory & Natsis LLP, Scott J. Leipzig, Marissa M. Dennis, Tim C. Hsu, Abby L. Bloetscher

Plaintiff’s lawyers:
Boies, Schiller Flexner LLP, Jeanne A. Fugate, Lennette W. Lee, Julia J. Bredrup, Roya S. Ladan

may be sued for large sums when their product is a small part of a larger system like the Ziosk.

And the outcome was good for international relations, because their Japanese clients came to believe in the U.S. justice system. “The system put them through the wringer for four years, but they won,” Dennis said. “Even with the language barrier, their positive personality came through in court.”

Leipzig said vindicating his client’s rights was a high point. “For litigators the whole point is the momentary rush you get when you prevail,” he said.

— John Roemer