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RECENT CHARGE ERROR CASES IN THE FIFTH CIRCUIT: BE PRACTICAL

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The Fifth Circuit Court of Appeals' recent cases concerning jury charge show a deferential and pragmatic approach to claims of error in instructions and questions. Its opinions provide district judges substantial leeway to describe the elements of claims and defenses, even for submissions that the court considers not to be "a model of clarity." It also evaluates harm in light of the entire trial record and the major themes developed in trial; for example, in its one recent reversal, it focused on the charge's effect on the "central factual dispute" at trial. In other opinions that analyze whether error was harmful, the Fifth Circuit appears to follow a more pragmatic and flexible approach to the so-called "*Casteel* problem" than Texas state courts.

I. REVERSIBLE ERROR

The plaintiff in *RBIII, L.P. v. City of San Antonio*[2] sought damages after the City of San Antonio razed a property without providing prior notice. It alleged claims based on the denial of its Constitutional right to procedural due process, and the denial of its rights under the Fourth Amendment. After a jury trial, the plaintiff recovered $27,500 in damages.[3] The City appealed, and the Fifth Circuit found an abuse of discretion in the jury instructions on the plaintiff's claims.

Specifically, the instructions about the due process claim said:

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[2] 713 F.3d 840 (5th Cir. 2013).

[3] *Id.* at 843-44.

> Under the Fourteenth Amendment's Procedural Due Process Clause, a property owner is entitled to notice and/or a hearing before being deprived of its property. In this case, the parties do not dispute that the City did not provide notice to RBIII before demolition.
>
> In some cases, property may be seized without providing prior notice. The emergency situations in which it is considered reasonable to proceed without giving prior notice are generally limited to situations in which there is an immediate danger to public. You must consider all the facts presented to you in order to determine whether the circumstances in the instant case excused the City from providing notice to RBIII before demolishing the property.

The court's instructions on the Fourth Amendment claim, in relevant part, said:

> Assessing the reasonableness of the seizure involves a careful balancing of the nature and quality of the intrusion on the individual's Fourth Amendment interests against the countervailing governmental interest at stake. It entails weighing a number of factors, including the danger posed by a building to public safety. The private interests at stake include the right to personal property. Here, the City argues that the immediate demolition of RBIII's property was necessary and reasonable due to the condition of the structure. Considering all facts presented to you, you must weigh the public and private interests at stake, and determine whether RBIII has proved by a preponderance of the evidence that the City's destruction of the property was unreasonable.[4]

[4] *Id.* at 846.

The City argued that the charge should have said that the City's decision to invoke its emergency powers under the relevant ordinance was entitled to deference, and that the City's compliance with the Ordinance was proof that it acted reasonably.

The Fifth Circuit agreed that the charge was erroneous. Specifically, the court held that the due process instruction "improperly cast the central factual dispute as whether or not the Structure posed an immediate danger to the public, when the issue should have been whether the City acted arbitrarily or abused its discretion in determining that the Structure presented an immediate danger."[5] This error also infected the Fourth Amendment claim for several reasons—it "improperly shifted the jury's focus from the reasonableness of the City's determination that the Structure posed a public emergency to the accuracy of that determination, carried over to the Fourth Amendment claim as well," it "failed to inform the jury that the City's compliance with the Ordinance was relevant to the question of the reasonableness of the City's actions," and it "gave the erroneous impression that the reasonableness determination depended entirely on whether an emergency actually existed." The court's analysis of harm—particularly as to the several ways the charge affected the Fourth Amendment claim—is instructive and potentially applicable to a wide variety of civil jury charge issues.

In *Naquin v. Elevating Boats, LLC*,[6] the Fifth Circuit found that the verdict and resulting judgment in a Jones Act case erroneously included compensation for mental anguish from seeing the death of another person.[7] While the error resulted from admission of evidence about the death of the plaintiff's relative, as opposed to an erroneous charge, the court's handling of the case is still instructive. The court remanded for a new trial limited to the issue of damages, to

[5] *Id.* at 847-48.

[6] 744 F.3d 927 (5th Cir. 2014).

[7] *Id.* at 938-39.

include all aspects of potentially-recoverable damages: "[S]erious practical problems would be presented at trial if we were to save some elements of the damage award and retry only other elements of damage. 'Where, as here, the jury's findings on questions relating to liability were based on sufficient evidence and made in accordance with law, it is proper to order a new trial only as to damages.' We therefore retain the jury's liability finding but order a new trial on damages."[8]

II. No Reversible Error

The case of *Baisden v. I'm Ready Productions*[9] presented several challenges to a defense verdict in a copyright infringement case. Among other matters, the court examined this jury question: "Do you find that [either Defendant] directly infringed copyrights owned by the Plaintiffs in the novels *Men Cry in the Dark* and *The Maintenance Man*?" Plaintiffs argued that the question conflated the question of license (an affirmative defense on which Defendants had the burden of proof) with the question of infringement (a claim where Plaintiff had the burden).[10] Observing that "the question is not a model of clarity," and also concluding that Plaintiff did not properly object, the court found that this instruction adequately explained the burdens:

> A claim for copyright infringement is barred if a defendant has an express or implied license authorizing use of the copyrighted work. Defendants contend that [Plaintiff] gave them a license to use the copyrighted works . . . . *The burden is on Defendants to prove the existence of a license by a preponderance of the evidence.* If Defendants satisfy this burden then in order for [Plaintiff] to prevail, [Plaintiff] must prove

[8] *Id.* at 941 (quoting *Hadra v. Herman Blum Consulting Engineers*, 632 F.2d 1242, 1246 (5th Cir. 1980)).

[9] 693 F.3d 491 (5th Cir. 2012).

[10] *Id.* at 506.

> by a preponderance of the evidence that Defendants' copying was not authorized by the license."[11]

Accordingly, the court found no plain error.

The court again addressed intellectual property issues in *Abraham v. Alpha Chi Omega*.[12] Paddle Tramps Manufacturing made wooden paddles with the emblems of several fraternities. A group of 32 fraternities sued to enjoin it for trademark infringement and unfair competition, and the company defended with unclean hands and laches. The district court entered partial injunctive relief after a jury trial found for the company on the defenses. The plaintiff's first charge issue on appeal involved the instruction about laches, which read as follows:

> To prevail on their claim that Mr. Abraham may not assert the laches or acquiescence defenses because he has unclean hands, the Greek Organizations must prove by a preponderance of the evidence that Mr. Abraham knowingly intended to use the Greek Organizations' marks for the purpose of deriving benefit from the Greek Organizations' goodwill.
>
> Unclean hands may be found only where the unlicensed user 'subjectively and knowingly' intended to cause mistake or to confuse or deceive buyers. Mere awareness of a trademark owner's claim to the same mark does not amount to having unclean hands nor establishes bad intent necessary to preclude laches and acquiescence defenses. The owner of the mark must demonstrate that at the time the unlicensed user began using the marks or sometime thereafter, said unlicensed user

[11] *Id.* at 507 (emphasis added).

[12] 708 F.3d 614 (5th Cir. 2013).

> knowingly and intentionally did so with the bad faith intent to benefit from or capitalize on the mark owner's goodwill.[13]

Plaintiff argued that this instruction incorrectly defined the concepts of "confusion" or "deception," and also incorrectly defined the requisite mental state. The Fifth Circuit disagreed, finding that Plaintiff's authority involved the distinct question of what constitutes infringement, and holding that if those two areas of law were blurred, "then every trademark infringer would necessarily have unclean hands."[14]

The plaintiff also challenged the jury instruction about laches. That defense has three elements—delay in asserting trademark rights, lack of excuse for the delay, and undue prejudice to the alleged infringer caused by the delay.[15] Plaintiff contended that the "lack of excuse" instruction did not adequately describe the concept of "progressive encroachment," under which a markholder may "tolerate de minimis or low-level infringements." Again concluding that Plaintiff's authority dealt with a distinct question—this time, the elements of a permanent injunction—the court found no abuse of discretion in this description of the progressive encroachment doctrine:

> Under the doctrine of progressive encroachment, the trademark owner's delay is excused where the unlicensed user begins to use the trademark in the market, and later modifies or intensifies its use of the trademark to the effect that the unlicensed user significantly impacts the trademark owner's good will and business reputation, so that the unlicensed user is placed more squarely in competition with the

[13] *Id.* at 620-21.

[14] *Id.* at 621.

[15] *Id.* at 622 (quoting *Board of Supervisors v. Smack Apparel Co.*, 550 F.3d 465, 490 (5th Cir. 2008)).

> trademark owner. The mark owner need not sue until the harm from the unlicensed user's use of the mark looms large. It is therefore the significant increase in the scope of the unlicensed user's business, not reliance on the same general business model, that supports the doctrine of progressive encroachment.[16]

Similarly, the court found that the "undue prejudice" instruction was "in line with the discussion of undue prejudice in a leading treatise."[17]

In *Wellogix, Inc. v. Accenture, LLP*, the district court entered judgment for the plaintiff—$26.2 million in compensatory damages and $18.2 million in punitives, after a remittitur—in a trade secrets case about software to make oil exploration more efficient.[18] In the course of affirming the judgment against a number of challenges, the Fifth Circuit provides a useful guide to the federal courts' treatment of what Texas practitioners call a "*Casteel* problem." Specifically, the defendant argued that "because the evidence supporting [a particular] theory was insufficient, and because it is impossible to know whether the jury improperly relied on it in finding misappropriation, Accenture is at least entitled to a new trial."[19]

The court found the defendant had not preserved this issue, and listed the various ways such a point may be preserved in the federal system: "Accenture does not direct us to any request to the district court for a special verdict, FED. R. CIV. P. 49(a), nor to a request for answers to questions, FED. R. CIV. P. 49(b), nor to any pertinent objection to the

[16] *Id.* at 623.

[17] *Id.* at 624 (citing 6 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 31:12 (4th ed. 2001)).

[18] 716 F.3d 867 (5th Cir. 2013).

[19] *Id.* at 878 (citing *Wilmington State Mining Co. v. Fulton*, 205 U.S. 60, 78-79 (1907) and *Rutherford v. Harris County*, 197 F.3d 173, 185 (5th Cir. 1999)).

jury submission and charge, FED. R. CIV. P. 51, nor, later, to any request for verdict clarification, nor, finally, to any such contention of inherent ambiguity in the general verdict in their new trial motion."[20] In a footnote, the court touched on the merits of the argument, noting: " Even if preserved, this argument applies to cases '[w]hen a district court submits two or more alternative grounds for recovery to the jury on a single interrogatory,' yet one theory proves to be erroneous, whereas, in this case, the evidence showing that Accenture used Wellogix trade secrets for the P2P pilot, xIEP application, and SAP's core accounting software supported a single, valid legal theory: that Accenture entered into a confidential relationship with Wellogix, and then breached that confidence by using the trade secrets for Accenture's benefit."[21] Among other cases cited in that footnote, the court cited its opinion in *Muth v. Ford Motor Co.*, in which it observed: "[T]his Court, as well as many others, have engrafted a sort-of harmless error gloss onto the basic principle" that "if both theories are put to the jury, a new trial is generally necessary when the evidence is insufficient on one."[22]

Finally, the plaintiff in *Smith v. Santander Consumer USA*[23] won a judgment for $20,43.59 in damages for violation of the Fair Credit Reporting Act. The Fifth Circuit agreed that the plaintiff could not recover damages solely for a reduced line of credit, but found sufficient other evidence about harm to the plaintiff's business and personal finances to sustain the award.[24] Accordingly, the court affirmed the

[20] *Id.*

[21] *Id.* at n.4 (citations omitted).

[22] 461 F.3d 557, 564-65 (5th Cir.2006).

[23] 703 F.3d 316 (5th Cir. 2012).

[24] *Id.* at 318.

judgment under the *Boeing* standard,[25] noting that "[t]he jury verdict, which is general and un-itemized, reflects considerably less than Smith sought."[26] It is an interesting question whether the same result would obtain in Texas state court under *Harris County v. Smith*,[27] which is generally read to require "granular" submission of damage items when the parties dispute whether some of those items are unrecoverable as a matter of law.

III. Conclusion

Two main themes appear in the Fifth Circuit's recent cases about claims of charge error. First, the court is not willing to reverse a verdict for a statement of the law that is fundamentally correct, even if a different statement might be more accurate as a technical matter. Second, while clearly aware of the "*Casteel* problem" that has dominated Texas jury charge cases over the last several years, the court appears more willing to defer to a broad-form submission than the Texas Supreme Court has been. Appellate practitioners should keep these themes in mind as they draft and object to jury charges in federal court

[25] *Boeing Co. v. Shipman*, 411 F.2d 365, 374 (5th Cir. 1969) (en banc), *overruled in part on other grounds*, *Gautreaux v. Scurlock Marine, Inc.*, 107 F.3d 331 (5th Cir. 1997) (en banc).

[26] *Smith*, 703 F.3d at 318.

[27] 96 S.W.3d 230 (Tex. 2002) (applying *Crown Life Ins. v. Casteel*, 22 S.W.3d 378 (Tex. 2000)).