

Presented: Conference on State and Federal Appeals

> June 5-6, 2014 Austin, TX

## **Extreme Brief Makeover**

by

Hon. Scott A. Brister

and

Kendall M. Gray Andrews Kurth LLP

Note: Portions of this paper were converted from a scanned image. The conversion has been reviewed for accuracy; however, minor spelling or text-conversion errors may still be present.

Andrews Kurth LLP 111 Congress Avenue, Suite 1700 Austin, TX 78701 www.andrewskurth.com

ScottBrister@andrewskurth.com 512-542-5220

Andrews Kurth LLP 600 Travis Street, Suite 4200 Houston, Texas 77002 www.andrewskurth.com

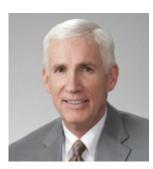
kendallgray@andrewskurth.com 713-220-3981

HOU:3433875.1

Continuing Legal Education • 512-475-6700 • www.utcle.org

# ANDREWS KURTH

## Scott A. Brister



#### Partner

111 Congress Avenue Suite 1700 Austin, TX 78701 P: +1.512.320.9220 F: +1.512.542.5220 ScottBrister@andrewskurth.com

Scott is head of the firm's appellate section and his practice includes all aspects of litigation. He returned to Andrews Kurth in 2009 after 20 years of judicial service at all levels of the Texas court system: six years on the Texas Supreme Court, three years as Justice and Chief Justice of the First and Fourteenth Courts of Appeals respectively, and eleven years as Judge of the 234th District Court. During those years he presided over 670 trials to verdict, and authored more than 600 appellate opinions, including 122 opinions of the Texas Supreme Court.

Scott is board-certified in civil appellate, civil trial and personal injury trial law. He previously served on the Supreme Court Advisory Committee and on the Supreme Court Jury Task Force. He is a co-author of *Texas Pretrial Practice* and has written law review articles in the Baylor, Oak Brook, South Texas, and St. Mary's law reviews.

#### **PROFESSIONAL RECOGNITION**

- · Recognized as a "Local Litigation Star" in Texas by Benchmark Litigation (2012-2014)
- Recognized as a "Local Litigation Star" in the 5th Circuit (Texas) by *Benchmark Appellate* (2013)
- The Best Lawyers in America, Appellate Practice (2012-2014)
- Texas Super Lawyer in Appellate Law, Texas Monthly (2013)
- Profiled as one of the leading Appellate (2010-2014) lawyers in Texas, *Chambers & Partners USA: America's Leading Business Lawyers*

#### **BRIEFINGS, SEMINARS & SPEECHES**

- TexasBarCLE 27th Annual Advanced Civil Appellate Practice Course (September 12-13, 2013)
- 2013 Legislative and Supreme Court Update, Houston Bar Association Civil/Appellate 2013 Bench Bar Conference, Houston, Texas (May 2, 2013)
- TexasBarCLE Judges Panel: How to Lose Your Case Through Poor Legal Writing (April 26, 2013)
- "Jury Charge: The Swinging Pendulum of Broad Form Submission," The History of Texas Supreme Court Jurisprudence, Austin, Texas (April 11, 2013)
- TexasBarCLE: 26th Annual Advanced Civil Appellate Practice Course (September 7, 2012)
- DRI's 10th Appellate Advocacy Seminar (June 21, 2012)

#### PRACTICES

Appellate Commercial Litigation Litigation and Dispute Resolution

#### EDUCATION

JD, 1980, *cum laude*, Harvard Law School

Judicial Clerkship for Chief Justice Greenhill at the Texas Supreme Court (1980-1981)

BA, 1977, *summa cum laude*, Duke University

#### ADMISSIONS

Texas 1980

US District Courts for the Northern, Southern, Eastern and Western Districts of Texas

US Court of Appeals for the Fifth Circuit

US Supreme Court

# ANDREWS KURTH

### Scott A. Brister

- Speaker, "Texas School Funding: How Much is Enough?" Texas Public Policy Foundation, 10th Annual Policy Orientation for the Texas Legislature (January 12, 2012)
- "Respondent's Strategies in the Supreme Court," presented at The Texas Bar CLE: Practice Before the Texas Supreme Court, Austin, Texas (April 15, 2011)
- Panelist, The University of Texas School of Law's 15th Annual Insurance Law Institute (October 14-15, 2010)

#### AFFILIATIONS

- Justice, Texas Supreme Court (2003-2009)
- · Chief Justice, Fourteenth Court of Appeals (2001-2003)
- Justice, First Court of Appeals (2001)
- Judge, 234th District Court of Harris County (1989-2000)
- · Board Certified Civil Appellate, Civil Trial & Personal Injury Law Texas
- Fellow, Texas Bar Foundation, Houston Bar Foundation (1992-present)
- · College of the State Bar of Texas (1990-present)

#### IN THE NEWS

Featured in "Former Justice Scott Brister Talks About Experience, Amici and Activist Judges," Texas Lawyer (September 27, 2010)

#### PRESS RELEASES

- Andrews Kurth Continues to Receive High Marks for Litigation Practice from Benchmark Litigation (January 9, 2014)
- 41 Andrews Kurth Lawyers Named in Texas Super Lawyers 2013 (September 9, 2013)
- 61 Andrews Kurth Lawyers Named Best Lawyers in America 2014 (August 15, 2013)
- Andrews Kurth Receives High Marks from 2013 Chambers & Partners USA Guide (May 24, 2013)
- Andrews Kurth Receives High Accolades in Litigation and Appellate Practices from Benchmark Litigation (November 7, 2012)
- · 62 Andrews Kurth Lawyers Named Best Lawyers in America 2013 (August 23, 2012)
- · Andrews Kurth Receives High Marks from 2012 Chambers & Partners USA Guide (June 15, 2012)
- Andrews Kurth Receives High Accolades in Litigation and Appellate Practices (December 16, 2011)
- 54 Andrews Kurth Lawyers Named Best Lawyers in America 2012 (September 22, 2011)
- Andrews Kurth Partner Scott A. Brister to Speak at The Federalist Society, Houston Lawyers Chapter (September 28, 2009)
- Former Supreme Court Justice Scott A. Brister Joins Andrews Kurth (September 8, 2009)
- Texas Supreme Court Justice Scott A. Brister to Join Andrews Kurth (August 17, 2009)

# ANDREWS KURTH

## Kendall M. Gray



#### Partner

Waterway Plaza Two 10001 Woodloch Forest Dr. Suite 200 The Woodlands, TX 77380 P: +1.713.220.4838 F: +1.713.220.7183 kendallgray@andrewskurth.com 600 Travis Suite 4200 Houston, TX 77002 P: +1.713.220.3981 F: +1.713.220.4285

Kendall is a board certified civil appellate specialist who has represented clients in state and federal appellate courts such as the U.S. Supreme Court, the U.S. Courts of Appeal for the Fifth, Ninth, Tenth and Federal Circuits, the Supreme Court of Texas and many intermediate courts of appeal. His practice includes a variety of complex commercial, medical malpractice, managed care, and toxic tort matters, as well as a particular focus in disputes involving employee benefits, managed care, and ERISA.

#### **REPRESENTATIVE EXPERIENCE**

- Christus Health Gulf Coast v. Aetna, Inc., 397 S.W.3d 651 (Tex. 2013)
- Ford, Bacon & Davis, LLC v. Travelers Ins. Co., 635 F.3d 734 (5th Cir. 2011)
- Klein v. Hernandez, 315 S.W.3d 1 (Tex. 2010)
- Zimmerman v. Anaya, 315 S.W.3d 523 (Tex. 2010)
- Man Indus. (India) Ltd. v. Bank of Tokyo-Mitsubishi UFJ, Ltd., 309 S.W.3d 589 (Tex. App.—Houston [14th Dist.] 2010, no writ)

#### PUBLICATIONS

- "Commentary: Pinnacle of Practice Requires Creativity" Texas Lawyer (April 8, 2013)
- "Commentary: Unleash the Mind's Power by Going Analog" *Texas Lawyer* (January 7, 2013)
- "Commentary: Why Lawyers Need (Yet Don't Hire) Coaches" *Texas Lawyer* (December 10, 2012)
- "Storytelling for Lawyers" Texas Lawyer (June 25, 2012)
- "Commentary: Bad Habits and Rhetorical Sins in Court" *Texas Lawyer* (April 16, 2012)
- "Commentary: Get it Write Embrace Editing Techniques to Improve Briefs" *Texas* Lawyer (January 23, 2012)
- "Commentary: Board Certification The Last Big Hurdle" *Texas Lawyer* (August 22, 2011)
- "Pick Me! Persuading the Texas Supreme Court to Grant a Petition for Review" *Texas Lawyer* (March 28, 2011)

#### **PROFESSIONAL RECOGNITION**

• Recognized as a "Local Litigation Star" in the 5th Circuit (Texas) by *Benchmark Appellate* (2013)

#### INDUSTRIES

Energy Health Care Insurance Oil and Gas Technology

#### PRACTICES

Appellate Commercial Litigation Health Care Litigation and Compliance Litigation and Dispute Resolution Products Liability

#### EDUCATION

JD, 1994, *summa cum laude*, Baylor Law School, *Baylor Law Review*, Lead Articles Editor, National Order of Barristers, Mock Trial Team

Bachelor of Music, 1989, *with distinction*, University of Wisconsin

Supreme Court of Texas, Briefing Attorney for the Honorable Jack Hightower (1994-1995)

#### ADMISSIONS

Texas 1994

Board Certified - Civil Appeals - Texas Board of Legal Specialization

US Supreme Court

US Court of Appeals for the Fifth Circuit

US Court of Appeals for the Ninth Circuit

US Court of Appeals for the Tenth Circuit

#### STRAIGHT TALK IS GOOD BUSINESS. ®

### Kendall M. Gray

ANDREWS

- Texas Super Lawyer in Appellate, Texas Monthly (2007-2013)
- Texas Rising Star, Texas Monthly (2004, 2006)

KURTH

#### **BRIEFINGS, SEMINARS & SPEECHES**

- Speaker, "Bombshells in the Record and Other Ethical Dilemmas for the Appellate Attorney," 23rd Annual Conference on State and Federal Appeals, The University of Texas School of Law, Austin, Texas (June 2013)
- TexasBarCLE: "Clarity and Grace: From Ideas to Sentences to Paragraphs" (April 26, 2013)
- Speaker, "United States Supreme Court Update," 22nd Annual Conference on State and Federal Appeals, The University of Texas School of Law, Austin, Texas (June 2012)
- Don't Be Ugly: Maximizing Persuasion Through Good Typography and Document Design (March 8, 2012)
- Bills of Review, Restricted Appeals, and Other Appellate Issues (August 11, 2010)

#### AFFILIATIONS

- Houston Bar Association, Appellate Section
- State Bar of Texas, Appellate Section
- Bar Association of the Fifth Federal Circuit

Board Certified - Civil Appellate Law, Texas Board of Legal Specialization

#### **PRESS RELEASES**

- 41 Andrews Kurth Lawyers Named in Texas Super Lawyers 2013 (September 9, 2013)
- Andrews Kurth Receives High Accolades in Litigation and Appellate Practices from Benchmark Litigation (November 7, 2012)
- 35 Andrews Kurth Lawyers Named in Texas Super Lawyers 2012 (September 10, 2012)
- The Appellate Record Chosen as One of the ABA Journal's Blawg 100 (December 6, 2011)
- 35 Andrews Kurth Lawyers Named in Texas Super Lawyers 2011 (September 12, 2011)
- 33 Andrews Kurth Lawyers Named in Texas Super Lawyers 2010 (September 10, 2010)
- 35 Andrews Kurth Lawyers Named in Texas Super Lawyers 2009 (September 16, 2009)
- Thirty-Five Andrews Kurth Partners Named in Texas Super Lawyers 2008 (October 3, 2008)

US Court of Appeals for the Federal Circuit

US District Court for the Southern District of Texas

US District Court for the Eastern District of Texas US District Court for the Northern District of Texas

US District Court for the District of Colorado

# Synopsis of Texaco's 130 Points of Error

- SEC rule 10b-13 bars private offer to buy shares while your tender offer is pending
- No evidence of tortious interference:
  - No binding Pennzoil/Getty agreement
  - No knowing interference
  - □ No active inducement
- Improper actual / punitive damages
- Allowing tortious interference to stifle takeovers violates Commerce Clause
- Judges Farris & Caleb were disqualified

# **Texaco's Table of Contents**

## TABLE OF CONTENTS

| Pag  | е |
|--|---|
| NAMES OF ALL PARTIES   |   |
| INDEX OF AUTHORITIES   |   |
| STATEMENT OF THE CASE  |   |
| STATEMENT OF JURISDICTION  |   |
| POINTS OF ERROR  |   |
| OVERVIEW   |   |
| STATEMENT OF UNDISPUTED FACTS RELATIVE TO<br>ALL POINTS OF ERROR   |   |
| A. THE NEGOTIATIONS AMONG PENNZOIL AND THE<br>GETTY ENTITIES       |   |
| 1. Pennzoil Takes Aim At Getty Oil                                 |   |
| 2. The Memorandum of Agreement                                     |   |
| 3. The Getty Oil Board Meetings                                    |   |
| a. The January 2 Board Meeting 76                                  |   |
| b. The January 3 Board Meeting 79                                  |   |
| 4. The Press Release   |   |
| 5. Pennzoil's SEC Filing   |   |
| 6. Drafting the Proposed Contract                                  |   |
| 7. Unresolved Issues   |   |
| B. GETTY OIL CONTINUES ACTIVELY TO SOLICIT<br>TEXACO TO MAKE A BID |   |
| C. THE CALIFORNIA INJUNCTION AND DELAWARE<br>SHAREHOLDER SUIT      |   |
| D. TEXACO IS TOLD THERE IS NO CONTRACT                             |   |

| Ε.        | PROC                                      | PROCEEDINGS BELOW  |      |  |
|-----------|---|--|------|--|
|           | 1.  | The Genesis of this Case: Pennzoil's<br>Delaware Lawsuit   | .96  |  |
|           | 2.  | The Proceedings in the Harris  |      |  |
|           |   | County Trial Court   | 98   |  |
|           | 3.  | The Court of Appeals Proceedings   | 100  |  |
| BRIEF OF  | THE A                                     | ARGUMENT   | .102 |  |
| GROUPEICE | POJNT                                     | S VAL FBRARD ENFRRCEABLEGARDNINGACHE   | .102 |  |
| Α.        | INTRO                                     | DDUCTION   | .102 |  |
| В.        | INCON<br>FEDEF<br>CLAUS<br>BECAU<br>WAS U | COURT OF APPEALS' DECISION IS<br>NSISTENT WITH NEW YORK LAW AND<br>RAL LAW AND VIOLATES THE SUPREMACY<br>SE OF THE UNITED STATES CONSTITUTION<br>JSE PENNZOIL'S PURPORTED CONTRACT<br>JNENFORCEABLE AS A MATTER OF<br>RAL LAW. | .105 |  |
|           | 1.  | Because the Alleged Contract<br>Violated SEC Rule 10b-13, Pennzoil<br>Had No Right to Assert a Claim<br>For Tortious Interference  | .105 |  |
|           | 2.  | Texaco Is Not Precluded From<br>Contending that Pennzoil Has No<br>Right to Assert a Claim for<br>Tortious Interference.   | .110 |  |
|           | 3.  | There Is No Basis for The Speculation<br>that Pennzoil Could Have Obtained An<br>Exemption or Somehow "Cured" Its<br>Violation   | .113 |  |
|           | 4.  | The Court of Appeals' Treatment of<br>Pennzoil's Amended Schedule 14D-1<br>Underscores Its Fundamental Mis-<br>understanding of the 10b-13 Issue   | 119  |  |
| С.        |   | DECISION BELOW VIOLATES THE SUPREMACY  | .121 |  |

| D. | THE COURT OF APPEALS ERRONEOUSLY<br>PERMITTED ENFORCEMENT OF AN ALLEGED<br>CONTRACT THAT WAS UNENFORCEABLE AS A<br>MATTER OF DELAWARE LAW      |
|----|--|
|    | <ol> <li>The Alleged Agreement Was Unen-<br/>forceable as a Matter of Delaware<br/>Law.</li> <li></li></ol>                                    |
|    | <ol> <li>The Court of Appeals Erred in<br/>Holding That Instruction No. 5 to<br/>Special Issue No. 2 Was Proper.</li> <li>128</li> </ol>       |
|    | POINTS OF ERROR: ERRORS REGARDING<br>FORMATION   |
| Α. | THERE IS NO EVIDENCE THAT PENNZOIL<br>AND THE GETTY ENTITIES ENTERED INTO A<br>BINDING AGREEMENT ON JANUARY 3, 1984                            |
|    | <ol> <li>Even Agreement on All Terms of a<br/>Proposed Contract Is Not A<br/>Substitute For a Signed Writing130</li> </ol>                     |
|    | <ol> <li>Substantial and Complex Transactions<br/>Normally Require Formal Signed<br/>Writings Before Parties Are Bound</li> <li>133</li> </ol> |
|    | 3. Considering the Bargain in Question,<br>Reasonable Minds Must Conclude That<br>a Signed Writing Was Necessary.                              |
|    | a. Reservation of Intent Not   |
|    | to Be Bound  |
|    | b. Partial Performance   |
|    | c. Unresolved Open Terms   |
|    | d. Size and Complexity   |
|    | Evidence Is No More Than A<br>Scintilla of Evidence  |
| В. | THE COURT OF APPEALS APPLIED THE WRONG<br>STANDARD IN EVALUATING THE FACTUAL<br>SUFFICIENCY OF THE EVIDENCE ON<br>CONTRACT FORMATION           |

| С. | THE TRIAL COU                  | APPEALS ERRED IN APPROVING<br>RT'S JURY CHARGE ON CONTRACT  | 151  |
|----|--------------------------------|---|------|
|    |                                |   | .194 |
|    |                                | t of Appeals Erred in Holding<br>Charge Properly Stated New   |      |
|    |                                | on Contract Formation.  | .157 |
|    | Whe<br>Int<br>Ess              | Failure to Ask the Jury<br>ther There Was a Present<br>ention to be Bound on All<br>ential Terms of the<br>eement | .159 |
|    | -                              |   |      |
|    | 1.                             | Failure to define "agreement"<br>or use the term contract   | 159  |
|    | ii.                            | Failure to ask whether  |      |
|    |                                | there was agreement on<br>all essential terms.  | .162 |
|    | iii.                           | Failure to instruct the   |      |
|    |                                | jury as to the requirement<br>of a present intent to  |      |
|    |                                | be bound  | 166  |
|    |                                | Refusal to Instruct the   |      |
|    |                                | y as to the Factors to be<br>sidered in Determining   |      |
|    |                                | ther There Was An Intent<br>be Bound Short of a Signed  |      |
|    |                                | tract.  | .167 |
|    | 2. The Cour                    | t of Appeals Erred in   |      |
|    |                                | That Pennzoil's Instruc-<br>Special Issue No. 1 Were  |      |
|    |                                |   | .171 |
| D. | THE TRIAL COU<br>RULINGS, ADMI | APPEALS ERRED IN APPROVING<br>RT'S ERRONEOUS EVIDENTIARY<br>TTING PENNZOIL'S EVIDENCE,<br>TEXACO'S EVIDENCE RELE- |      |
|    | VANT TO THE C                  | ONTRACT FORMATION ISSUE   | .183 |
|    | -                              | ey Notes Should Have Been   | .183 |
|    |                                | s Speculations About the<br>otes Should Have Been   |      |
|    |                                |   | .185 |

|          | 3.             | Barrow's Improper Legal Opinion<br>Should Not Have Been Admitted in<br>Evidence  | .187         |
|----------|----------------|--|--------------|
|          | 4.             | The Garber Notes Were Improperly<br>Received   | .189         |
|          | 5.             | Texaco's Evidence Demonstrating<br>Pennzoil's Negotiators' Awareness<br>That The Transaction Violated Rule<br>10b-13 Was Excluded Improperly | .190         |
| Ε.       | THE I          | COURT OF APPEALS ERRED IN HOLDING THAT<br>TERMS OF THE AGREEMENT FOUND BY THE JURY<br>SUFFICIENTLY DEFINITE TO BE ENFORCEABLE                | 192          |
| TEXACO'S | ALLEG          | NTS OF ERROR: ERRORS REGARDING<br>ED ACTUAL KNOWLEDGE OF A GETTY/<br>ACT.  | .195         |
| Α.       |                | ORK LAW REQUIRES ACTUAL KNOWLEDGE<br>NE CONTRACT INTERFERED WITH   | .198         |
| В.       | COURT<br>HAD A | IS NO REASONABLE BASIS FOR THE<br>OF APPEALS INFERRING THAT TEXACO<br>CTUAL KNOWLEDGE OF THE ALLEGED<br>OIL-GETTY CONTRACT.                  | .202         |
|          |                | It Is Conceded that Pennzoil Relies<br>Upon Facts Not Known to Texaco<br>to Establish Its Contract Case                                      | .203         |
|          |                | Texaco was Repeatedly Assured There<br>Was No Contract   | .209         |
|          |                | Undisputed Evidence Makes Impossible<br>A Reasonable Inference of Actual<br>Knowledge  | <u>.</u> 210 |
|          |                | The Circumstances Relied Upon by the<br>Court of Appeals Have No Inferential<br>Value  | .212         |
|          |                | No Inference of Actual Knowledge Is<br>Permissible on the Facts of This<br>Case  | <u>.</u> 222 |
| С.       | STAND<br>SUFFI | OURT OF APPEALS APPLIED THE WRONG<br>ARD IN EVALUATING THE FACTUAL<br>CIENCY OF THE EVIDENCE ON ACTUAL<br>EDGE                               | 224          |
|          | т ли О МИ П    |  | . L L H      |

| D.       | PENNZOIL'S LEGALLY ERRONEOUS CHARGE<br>ON TEXACO'S "KNOWING INTERFERENCE"<br>WARRANTS REVERSAL |  |              |
|----------|--|--|--------------|
|          | 1.   | Pennzoil Refused to Ask the Correct<br>Question-Pennzoil Collapsed<br>"Actual Knowledge" and "Intentional<br>Interference," Thereby Submitting<br>A Controlling Question On Neither<br>Issue                                 | .225         |
|          | 2.   | Instruction No. 2 Imposed a "Duty<br>to Investigate" and Imposed<br>Liability Based on a Should Have<br>Known Standard Contrary to<br>New York Substantive Law.  | <u>.</u> 232 |
|          | 3.   | The Court of Appeals' Misinterpre-<br>tation of the Requirement of<br>Actual Knowledge   | <u>.</u> 237 |
|          | 4.   | Special Issue No. 3 (Damages)<br>Improperly Assumes That Texaco<br>"Knowingly Interfere[ed]" With<br>An Agreement, Thus Suggesting An<br>Affirmative Answer to Special<br>Issue No. 2.                                       | <u>.248</u>  |
| THE REQU | IREMEN   | IS OF ERROR: ERRORS REGARDING<br>NT OF ACTIVE INDUCEMENT   | <u>.</u> 251 |
| Α.       | SPECI<br>INTER<br>STATE<br>CONST   | RUCTIONS NOS. 1 AND 3 TO<br>TAL ISSUE NO. 2 (KNOWING<br>RFERENCE) ARE INCORRECT<br>EMENTS OF NEW YORK LAW AND<br>TITUTE DIRECT COMMENTS ON<br>WEIGHT OF THE EVIDENCE.  | .251         |
| В.       | ISSUE<br>IMPRO<br>EVIDE<br>DEFEN<br>ISSUE  | RUCTION NOS. 4 AND 5 TO SPECIAL<br>E NO. 2 (KNOWING INTERFERENCE)<br>OPERLY EMPHASIZE PENNZOIL'S<br>ENCE IN RESPONSE TO TEXACO'S<br>ISES, ARE UNNECESSARY TO THE<br>E PRESENTED, AND CONSTITUTE<br>CT COMMENTS ON THE WEIGHT |              |
|          |  | HE EVIDENCE  | .254         |

| с. | THERE IS NO BASIS FOR ANY REASONABLE<br>INFERENCE OF ACTIVE INDUCEMENT  |
|----|---|
| D. | THE COURT OF APPEALS APPLIED THE WRONG<br>STANDARD IN EVALUATING THE FACTUAL<br>SUFFICIENCY OF THE EVIDENCE ON ACTIVE<br>INDUCEMENT   |
|    | POINTS OF ERROR: ERRORS REGARDING<br>DOF ACTUAL DAMAGES   |
| Α. | BECAUSE NEW YORK LAW MEASURES ACTUAL<br>DAMAGES BY THE MARKET VALUE OF WHAT<br>PENNZOIL CLAIMS TO HAVE "LOST,"<br>PENNZOIL'S DAMAGES ARE NO MORE THAN<br>\$470 MILLION                        |
| Β. | PENNZOIL'S DAMAGES PROOF WAS LEGALLY<br>INSUFFICIENT BECAUSE IT DEPENDED ON A<br>CONTINGENCY AND SPECULATIVE FUTURE<br>EVENTS   |
| С. | BECAUSE PENNZOIL WAS AWARDED DAMAGES<br>FOR FUTURE LOSSES, THOSE DAMAGES MUST<br>BE DISCOUNTED TO PRESENT VALUE   |
| D. | THE COURT OF APPEALS APPLIED AN IMPROPER<br>STANDARD OF REVIEW  |
|    | POINTS OF ERROR: ERRORS REGARDING THE<br>PUNITIVE DAMAGES   |
| Α. | BECAUSE NEW YORK LAW REQUIRES PROOF<br>OF ACTUAL MALICE AND ILL WILL, TEXACO'S<br>UNDISPUTED MOTIVE OF FURTHERING ITS<br>OWN ECONOMIC INTERESTS FORBIDS THE<br>IMPOSITION OF PUNITIVE DAMAGES |
| В. | BECAUSE NEW YORK LAW FORBIDS PUNITIVE<br>DAMAGES WHERE THE DEFENDANT ACTED<br>PURSUANT TO THE ADVICE OF COUNSEL, THE<br>AWARD OF PUNITIVE DAMAGES MUST BE<br>REVERSED                         |
|    | BECAUSE TEXACO DID NOT ENGAGE IN<br>MORALLY CULPABLE CONDUCT AIMED AT THE<br>PUBLIC, PUNITIVE DAMAGES ARE<br>INAPPROPRIATE  |

| D.        |                                    | COURT ERRED REFUSING TEXACO'S  | <u>.</u> 278 |
|-----------|------------------------------------|--|--------------|
| REFUSAL 1 | FO GIVE FU                         | F ERROR: ERRORS REGARDING<br>LL FAITH AND CREDIT TO THE<br>NEW YORK AND DELAWARE.                              | <u>.</u> 281 |
| Α.        | LAW MAY N<br>TO CONTRO             | CATION OF TEXAS PROCEDURAL<br>OT BE USED TO DENY EFFECT<br>LLING PRINCIPLES OF NEW                             | .282         |
| В.        |                                    | S BELOW MUST NOT BE ALLOWED<br>TO APPLY NEW YORK LAW.  | .284         |
|           |                                    | OF ERROR: ERRORS REGARDING<br>COMMERCE CLAUSES   | .286         |
| Α.        | THE COMME                          | OIL RULE VIOLATES<br>RCE CLAUSE OF THE<br>ATES CONSTITUTION.   | .286         |
| Β.        | THE SUPREN                         | OIL RULE ALSO VIOLATES<br>MACY CLAUSE BY CONFLICT-<br>THE SECURITIES ACTS.                                     | .298         |
| c.        | HOLDING TH<br>ARGUMENT<br>JUDGMENT | OF APPEALS ERRED IN<br>HAT TEXACO WAIVED ITS<br>IHAT THE LOWER COURT<br>VIOLATED THE COMMERCE<br>MACY CLAUSES. | .302         |
|           |                                    | ERROR: DUE PROCESS AND   | .304         |
| Α.        | LAW AND TH<br>HOLDING TH           | OF APPEALS ERRED UNDER TEXAS<br>HE DUE PROCESS CLAUSE IN<br>HAT JUDGE FARRIS WAS NOT<br>LED                    | .305         |
|           |                                    |  |              |
|           | a.                                 | Pennzoil Counsel's Undisclosed<br>Relationship With Judge Farris.  | 305          |
|           | b.                                 | The Denial of Texaco's Motion<br>To Recuse or Disqualify Judge<br>Farris                                       | .307         |

|                                | с.                              | Judge Farris' Undisclosed<br>Animus In Reaction To Texaco's<br>Recusal Motion  | .309 |
|--------------------------------|---------------------------------|--|------|
|                                | d.                              | Judge Farris' Role As Trial<br>Judge   | .312 |
| 2.                             |                                 | Court of Appeals Addressed the g Question.   | .313 |
| 3.                             |                                 | Court of Appeals Applied The<br>g Legal Standards.   | .313 |
|                                | a.                              | The Court of Appeals Erred in<br>Holding That Canon 3C(1) Is<br>Not A Basis For Judicial<br>Disqualification in Texas.                                       | .313 |
|                                | b.                              | The Court of Appeals Applied<br>the Wrong Due Process Test<br>For Judicial Disqualification  | 317  |
| 4.                             | Due H<br>Extra<br>Mr.           | ying Either Canon 3C(1) or the<br>Process Test, Judge Farris'<br>a-Judicial Relationship With<br>Jamail Required His Disquali-<br>tion                       | .319 |
| 5.                             | With<br>Perso<br>Its (<br>ficat | ly Apart From His Relationship<br>Mr. Jamail, Judge Farris'<br>onal Bias Against Texaco and<br>Counsel Required His Disquali-<br>tion Under the Due Process  | .322 |
| 6.                             | To Co                           | Court of Appeals Erred in Refusing<br>onsider the Evidence of Judge<br>Ls' Anti-Texaco Bias  | .325 |
| 7.                             | -                               | e Farris Played A Sufficiently<br>cal Role To Require A New Trial.   | 326  |
| THAT<br>AND,<br>CIVII<br>CASE, | JUDGE<br>THE 2<br>PROC<br>DID   | OF APPEALS ERRED IN HOLDING<br>E CASSEB'S LATE SUBSTITUTION<br>APPLICATION OF TEXAS RULE OF<br>CEDURE 18 TO THE FACTS OF THIS<br>NOT VIOLATE THE DUE PROCESS | 200  |
| CLAUS                          | 5년                              |  | .328 |

в.

|         | 1.                   | Judge Casseb's Late Substitution<br>And The Denial of Texaco's<br>Mistrial Motion  | .328         |
|---------|----------------------|--|--------------|
|         | 2.                   | Judge Casseb's Late Substitution<br>Violated Due Process   | .330         |
|         | 3.                   | A Mistrial Was Also Required Under<br>Texas Law  | .338         |
| C.      | THAT<br>TO H<br>MOTI | COURT OF APPEALS ERRED IN HOLDING<br>JUDGE CASSEB'S IRRATIONAL REFUSAL<br>EAR OR DECIDE TEXACO'S NEW TRIAL<br>ON DID NOT VIOLATE THE DUE PROCESS<br>SE | .33 9        |
|         | 1.                   | Judge Casseb's Refusal To Hear<br>Or Decide Texaco's New Trial<br>Motion   | .339         |
|         |                      | a. Texaco's Challenge To<br>Judge Casseb's Qualifications  | 339          |
|         |                      | b. Judge Casseb's Retaliation<br>For Texaco's Continued<br>Challenge To His Qualifica-<br>tions.   | .340         |
|         | 2.                   | Judge Casseb's Refusal To Hear Or<br>Decide Texaco's New Trial Motion<br>Violated Due Process  | .342         |
| D.      | IT W                 | AS ERROR TO DENY TEXACO A HEARING  |              |
|         | ON J                 | UDGE CASSEB'S QUALIFICATIONS   | <u>.</u> 346 |
| PRAYER  | FOR REI              | LIEF   | .349         |
| CERTIFI | ICATE OI             | F SERVICE  | .352         |

# **Texaco's Overview**

first time nineteen (19) new cases not previously considered or argued by either party, but refusing to accept a post-argument brief from Texaco thus denying Texaco the right to rebut the new arguments and new cases raised by Pennzoil. (Germane to First Motion for Rehearing Point 17 and Second Motion for Rehearing Point 17) (Order dated August 20, 1986; Texaco's Motion for Reconsideration filed August 22, 1986; Order Denying Texaco's Motion, August 22, 1986)

130. The court of appeals erred under state law and under the Due Process Clause of the United States Constitution in refusing to release to Texaco the record of the oral argument before the court. (Germane to First Motion for Rehearing Point 18 and Second Motion for Rehearing Point 18) (Joint Motion of appellant Texaco and appellee Pennzoil to obtain a transcribed copy of oral argument filed August 8, 1986; Order Denying Joint Motion, August 18, 1986)

#### OVERVIEW

The court of appeals has affirmed a judgment against Texaco on the basis of a claim by Pennzoil that Texaco intentionally induced the Getty entities (the Getty Oil Company and its two largest shareholders, the Getty family trust and Getty Museum) to breach a known, existing and valid "contract" to Pennzoil's detriment of more than seven and a half billion

- 58 -

dollars (\$7,530,000,000.00). At the court of appeals' suggestion, Pennzoil remitted two of the three billion dollar award, still (\$3,000,000,000.00) punitive damage leaving а punitive damages judgment against Texaco for one billion dollars (\$1,000,000,000.00). The resulting total judgment (including the accrued post-judgment interest) exceeds one half of the budget for the entire State of Texas for the current fiscal year.1 The post-judgment interest on this judgment works out to more than one hundred thousand dollars (\$100,000.00) per hour.

Pennzoil's "compensatory" damage award of 7.53 billion dollars (\$7,530,000,000.00) is more than twice what Pennzoil was willing to pay for the rights it claims it "contracted" to purchase--and more than 15 times the difference between the highest established market value of those rights and Pennzoil's alleged contract price. Not only did Pennzoil never pay one cent to Getty for this windfall, but Pennzoil made a profit of nearly thirty-four million dollars (\$34,000,000.00) from Texaco's purchase of the Getty Oil stock Pennzoil had bought a month or two before Texaco's offer. Pennzoil "generously" permitted its profits to be offset against its outrageous damage recovery.

How can such a judgment be justified? Frankly, this egregiously unjust result cannot be legally justified. It can, however, be explained--and that is the office of Texaco's

- 59-

<sup>1.</sup>TexasAlmanac, State Budget, 69th Legislature, Sept. 1, 1986 - Aug. 31, 1987, p. 718 (\$18,309,566,711.00).

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the <u>UT Law CLE eLibrary (utcle.org/elibrary)</u>

# Title search: Extreme Brief Makeover

Also available as part of the eCourse <u>Appellate Practice: Oral Arguments, Extreme Brief Makeover, Effective Prayers,</u> <u>and Persuasive Writing and Arguments</u>

First appeared as part of the conference materials for the  $24^{\rm th}$  Annual Conference on State and Federal Appeals session "Extreme Brief Makeover"