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LOS ANGELES SUPERIOR COURT

Superior Court of the State of California For the County of Los Angeles

Lynn and Reed Goodwin, et al.

Plaintiffs,

VS.

Anheuser-Busch Cos., Inc; Miller Brewing

Co.,

Defendants

Case No.: BC310105

Assigned: Hon. Peter D. Lichtman

Court's Ruling Re: Defendants' Motion for

Judgment on the Pleadings

(Application of Proposition 64)

Hearing Held: December 9, 2004

Submitted: December 9, 2004

Introduction

On December 9, 2004 this Court presided over the oral arguments regarding Defendants' Motion for Judgment on the Pleadings with Respect to Proposition 64 and its application, if any, to Plaintiffs' UCL Claims.

On December 8, 2004, this Court granted permission at the status conference in the *Pharmacy Benefits Managers* coordinated actions ("PBM Cases"; Case No. JCCP 4307), to Express Scripts, Inc. ("ESI"), and National Prescription Administrators, Inc. ("NPA"), on behalf of themselves and other defendants similarly situated in the *PBM* Cases (collectively, the "Amici Curiae"), to submit an **Amicus Brief** for the

amended complaint. The plaintiffs allege that they represent a class of California

Court's consideration on the issue of the application of California Proposition 64 to pending actions commenced before November 3, 2004. Specifically, the *Amicus Brief* supports Defendants' Anheuser-Busch Cos., Inc., and Miller Brewing Co.'s ("Defendants") motion for judgment on the pleadings.

Having read and considered all moving and opposing points and authorities (inclusive of the reply), as well as the *Amicus Brief*, this Court now proceeds with its ruling.

Background

In the above-entitled matter, plaintiffs allege that the defendants, producers of alcoholic beverages, are targeting teenagers by placing advertising in print, television, and radio venues for which there is a high percentage of teen consumers. According to plaintiffs, such advertising induces teenagers to illegally buy and drink alcoholic beverages. The amended complaint alleges four causes of action: Violations of the Unfair Competition Law ("UCL") Cal. Bus. & Prof Code § 17200 et seq.; Public Nuisance; Unjust Enrichment; and Violation of the Consumer Legal Remedies Act, Cal. Civ. Code § 1750 et seq. ¹

The named plaintiffs are Lynn and Reed Goodwin who lost their daughter to a teenager who was driving under the influence of alcohol and Jeromy McKenna and Adam Burstein who allege that they are California residents, purchased or consumed defendants products when they were under the age of 18 and who claim to have been exposed to defendants' advertising and promotional campaigns as described in the amended complaint. The plaintiffs allege that they represent a class of California

¹ It is to be noted that the instant motion is directed only at plaintiffs' UCL claim. The remaining causes of action are the subject of another Motion for Judgment on the Pleadings that has been briefed by the parties but will be heard at a later date.

residents who are or were under the age of 18 and have been in some way influenced by defendants' advertising.

Summary of Arguments and Positions

On November 2, 2004, California voters passed Proposition 64 which eliminated the ability of uninjured parties to pursue non-class representative actions for the benefit of the general public.

Proposition 64 amended, *inter alia*, Section 17204 of the Business and Professions Code to provide that a private plaintiff can prosecute a UCL action *only* if that plaintiff "has suffered injury in fact and has lost money or property as a result of [the defendant's] unfair competition."

Proposition 64

Proposition 64 changed the standing requirements of the unfair competition laws by amending three sections of the business and Professions Code.

With respect to § 17203 of the Business & Professions Code, Proposition 64 added the following language:

Any person may pursue representative claims or relief on behalf of others only if the claimant meets the standing requirements of Section 17204 and complies with Section 382 of the Code of Civil Procedure, but these limitations do not apply to claims brought under this chapter by the Attorney General, or any district attorney, county counsel, city attorney, or city prosecutor in this state. Ibid.

As stated above, Proposition 64 also amended §17204 of the Business & Professions Code. Prior to the amendment, § 17204 stated:

Actions for any relief pursuant to this chapter shall be prosecuted . . . by any person acting for the interests of itself, its members or the general public.

As amended, §17204 now reads:

Actions for any relief pursuant to this chapter shall be prosecuted . . . by any person who has suffered injury in fact and has lost money or property as a result of such unfair competition. Ibid.

The final standing amendment combines the prior two amendments, and deletes "acting for the interests of itself, its members or the general public" from §17535 and replacing it with:

[one]who has suffered injury in fact and has lost money or property as a result of such unfair competition. Any person may pursue representative claims or relief on behalf of others only if the claimant meets the standing requirements of Section 17204 and complies with Section 382 of the Code of Civil Procedure, but these limitations do not apply to claims brought under this chapter by the Attorney General, or any district attorney, county counsel, city attorney, or city prosecutor in this state. Bus & Prof. Code § 17535.

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Defendants' Contentions

Defendants assert that Proposition 64 as enacted prohibits plaintiffs' UCL claim.

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According to the moving defendants, partial or total repeals of statutory rights take effect immediately, unless there is a savings clause. Defendants contend that Proposition 64 amounts to a repeal of the statutory authorization allowing uninjured people to act as private attorney generals to assert UCL claims on behalf of the general public. The proposition contains no savings clause and thus applies to all pending cases. The *Amicus Brief* submitted in support of defendants' instant motion likewise asserts that an action wholly dependent on statute abates if the statute is repealed without a saving clause before the judgment is final." *Younger v. Superior Court* (1978) 21 Cal. 3d at 109 (citing *Governing Bd. v. Mann* (1977) 18 Cal. 3d 819, 829-31); *Southern Serv. Co. v. City of Los Angeles* (1940) 15 Cal. 2d 1, 11-12. "[W]hen a right of action does not exist at common law, but depends solely upon a statute, the repeal of the statute destroys the right unless the right has been reduced to final judgment or unless the repealing statute contains a saving clause protecting the right in a pending litigation." *Krause v. Rarity* (1930) 210 Cal. 644, 652-53.²

² See also Physicians Comm. for Responsible Medicine v. Tyson Foods, Inc. (2004) 119 Cal. App. 4th 120, 125 ("The repeal of a statutory right or remedy . . . presents entirely distinct issues from that of the prospective or retroactive application of a statute."); Beckman v. Thompson (1992) 4 Cal. App. 4th 481, 489 ("Where a right or remedy did not exist at common law but is dependent on a statute, the repeal of the statute without a savings clause destroys such right unless it has been reduced to a final judgment."); Graczyk v. Workers' Comp. Appeals Bd (1986) 184 Cal. App. 3d 997, 1006-07 (same); Lemon v. Los Angeles Terminal Ry. Co. (1940) 38 Cal. App. 2d 659, 670 (same); Pac. Gas Radiator Co. v. Super. Ct. (1924) 70 Cal. App. 200, 203 ("[W]here jurisdiction depends upon a statute[,] suits brought during the existence of the statute fall at once upon its repeal."); Cal. Bus. & Prof. Code § 4 ("No action or proceeding commenced before this code takes effect, and no right accrued, is affected by the provisions of this code, but all procedure thereafter taken therein shall conform to the provisions of this code so far as possible."); 7 Witkin, Summary of Cal. Law, Constitutional Law, § 497, p. 690 (9th ed. 1990) ("An exception to the rule of prospective construction is recognized where a right of action is created by statute and the statute is repealed without a saving clause: The repeal will operate retroactively to terminate a pending action based on the statute.").

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In addition to the argument set forth above, defendants contend that where a new law affects only procedural rules, it applies immediately. Since Proposition 64 affects **standing**, which is a procedural concern, the proposition applies to pending cases.

Hence, defendants contend that the plaintiffs here do not meet the new standing requirements of the UCL and thus, their UCL claim cannot proceed.

Plaintiffs' Contentions

Plaintiffs argue first, that there is no repealed statute rule. Instead, a court needs to examine legislative or voter intent as to whether a statute is meant to apply retroactively.³ According to plaintiffs, Proposition 64 lacks the clear intent by the voters to apply it retroactively.

Second, plaintiffs argue that application of the changes to the UCL to the instant matter would affect substantive rather than procedural rights. Where a new law affects substantive rights, courts can only apply it prospectively unless there is intent to apply it otherwise and such application passes constitutional muster.

Plaintiffs also argue that even if Proposition 64 applies to the instant matter, plaintiffs McKenna and Burstein have sufficiently alleged standing.

³ Note that defendants are not really arguing for "retroactive" application of the statutory changes but rather for application of the proposition to a currently pending case.

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Discussion of the Law

The Statutory Repeal Rule

California Constitution Article II, sec. 10 provides that an initiative or referendum approved by a majority of votes takes effect the day after the election unless the measure provides otherwise. Thus, Proposition 64 became effective November 3rd, 2004.

The question presented here is whether the Proposition is properly applied to currently pending cases filed before November 3, 2004.

The interpretation of propositions is directly analogous to that of statutes and accordingly a review of cases related to statutory application is mandatory. interpreting a voter initiative ... we apply the same principles that govern the construction of a statute." People v. Canty (2004) 32 Cal. 4th 1266, 1276. Courts construe propositions by looking at the text and history (including ballot materials) to ascertain voter intent. John L. v. Superior Court (2004) 33 Cal. 4th 158, 169-171.

Where a claim or remedy is entirely dependent on a statute and not common law, the repeal of that statutory authorization takes effect immediately unless the amendment contains a savings clause. Younger, supra at 109-10; Mann, supra at 829. (Reversing dismissal of teacher because statutory authority for dismissal was repealed during the appeal; "If final relief has not been granted before the repeal goes into effect it cannot be granted afterwards, even if a judgment has been entered and the cause is pending on appeal. The reviewing court must dispose of the case under the law in force when its decision is rendered.") Govt Code §§ 9605-06 see also So. Serv. Co., Ltd, supra at 11; Lemon, supra at 670-671; accord Callet v. Alioto (1930)

210 Cal. 65, 67-68 ("[as] a general rule, ... a cause of action or remedy dependent on a statute falls with a repeal of the statute, even after the action thereon is pending, in the absence of a saving clause in the repealing statute. [Citations.] The justification for this rule is that all statutory remedies are pursued with full realization that the legislature may abolish the right ... at any time.")

"Where, as here, the Legislature has conferred a remedy and withdraws it by amendment or repeal of the remedial statute, the new statutory scheme may be applied to pending actions without triggering retrospectivity concerns." *Brenton v. Metabolife, Int'l Inc.* (2004) 116 Cal. App. 4th 679, 690. This rule applies to all pending actions including those on appeal. See *Mann*, *supra*.

Parties do not have a vested right in claims created by statute, as distinguished from common law. *Graczyk*, *supra* at 1007 (See fn.2.).

Plaintiffs argue that Proposition 64 cannot properly be viewed as a statutory repeal because it did not repeal the right of the public to obtain relief under section 17200. However, this Court respectfully disagrees and believes that the proposition should be viewed as a statutory repeal because it repealed the authority for uninjured persons to pursue a claim on behalf of the general public.

Here, the UCL previously allowed uninjured people to act as private attorneys general to assert statutory UCL claims on behalf of the general public. California voters took away (repealed) that authorization declaring that claims on behalf of others may be brought only as class actions by people with actual injury, causation and standing to sue. There is no savings clause in the proposition and thus, this

Court applies the statutory repeal rule to conclude that Proposition 64 applies to pending claims.

Even if the statutory repeal rule did not apply, this Court believes that the proposition would still have immediate application to pending cases because it made only procedural changes to the statute.

Standing

Standing under the UCL, while previously very broad, is now limited by Proposition 64. See Cal. Bus. & Prof. Code §§ 17203, 17204 (as amended by Prop. 64, §§ 2, 3). Private plaintiffs who do not allege actual "injury in fact" may not "prosecute" claims under either statute. Plaintiffs must satisfy standing at every stage of a suit, and it is their burden to "plead and prove facts showing standing." *Tahoe Vista Concerned Citizens v. County of Placer* (2000) 81 Cal. App. 4th 577, 590-91. See also Lujan v. Defenders of Wildlife (1992) 504 U.S. 555, 561.⁴

The *Amicus Brief* asserts and this Court concurs that decisions within this appellate district explicitly approve the application of new standing rules (such as revised Section 17204) to pending cases. In *Parsons v. Tickner* (1995) 31 Cal. App. 4th 1513, the plaintiff, the daughter of a deceased musician, sued defendants (the decedent's music managers) for fraud. The trial court sustained demurrers on the ground that only the personal representative of the decedent, not his heirs, could maintain the suit. *Id.* at 1521. Prior to demurrer hearing there was a change in the law that abolished the personal representative requirement. *Id.* The court held that the heir/plaintiff had standing to bring the action under the new law:

⁴ The courts have explained that "[s]tanding is a jurisdictional issue that may be raised at any time in the proceedings," not a technical requirement that need only exist at the initiation of an action. *Waste Mgmt. of Alameda County, Inc. v. County of Alameda* (2000) 79 Cal. App. 4th 1223,

[The] [n]ewly enacted [statute] must be applied retroactively to this action. There is no vested right in existing remedies and rules of procedure and evidence. ... The repeal of [the old statute requiring appointment of a personal representative] and the enactment of [the new law] are procedural only and operate retroactively. [Plaintiff's] standing to pursue the claim . . . is now governed by [the new law].

Id. at 1523.

"In sum," the Second Appellate District concluded, the plaintiff "has standing to pursue the present action in her capacity as successor in interest to [her father]." <u>Id</u>. at 1524. See also *Hogan v. Ingold* (1952) 38 Cal. 2d 802, 811 n.2 (Applying a change in the law that affected the plaintiff's ability to bring a suit to the pending action).

There can be no question that standing is generally viewed as a procedural concern. Standing is a procedural issue (as opposed to a substantive right) since the issue of standing does not reflect on the merits of the action but, rather, goes to whether the cause of action can be maintained. *Killian v. Millard* (1991) 228 Cal.App.3d 1601, 1605 ("The question of standing to sue is one of the right to relief..."). See also *Parsons v. Tickner* (1995) 31 Cal. App. 4th 1513, 1523; *Nathanson v. Hecker* (2002) 99 Cal. App. 4th 1158, 1163; *J&K Painting Co. v. Bradshaw* (1996) 45 Cal. App. 4th 1394, 1402 n. 8; *Saks v. Damon Raike & Co.* (1992) 7 Cal. App. 4th 419, 430. The purpose of the standing requirement is procedural—to prevent multiple lawsuits by different parties for the same harm. *Weil & Brown, California Practice Guide: Civil Procedure Before Trial* (The Rutter Group 2004) 2:4.

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The *Brenton* court noted that when mere procedural changes are made, it is a "misnomer" to label them retrospective since procedural rules operate "regardless of the time of occurrence of the events giving rise to the cause of action". As the *Brenton* court explained on page 689:

"'[t]he presumption against retrospective construction does not apply statutes relating merely to remedies and • modes to procedure...[P]rocedural changes 'operate on existing causes of action and defenses, and it is a misnomer to designate them as having retrospective effect'...In other words, procedural statutes may become operative only when and if the procedure or remedy is invoked, and if the trial postdates the enactment, the statute operates in the future regardless of the time of occurrence of the events giving rise to the cause of action. [Citation.] In such cases the statutory changes are said to apply not because they constitute an exception to the general rule of statutory construction, but because they are not in fact retrospective. There is then no problem as to whether the Legislature intended the changes to operate retroactively... It is the effect of the law, not its form or label that is important for purposes of this analysis".

As explained in *Tapia v. Superior Court* (1991) 53 Cal.3d 282, 288:

Such a [procedural] statute " 'is not made retroactive merely because it draws upon facts existing prior to its enactment [Instead,] [t]he effect of such statutes is actually prospective in nature since they relate to the procedure to be followed in the future." (*Strauch v. Superior Court* (1980) 107 Cal.App.3d 45, 49 [165 Cal.Rptr. 552], quoting *Olivas v. Weiner* (1954) 127 Cal.App.2d 597, 600-601 [274 P.2d 476].) For this reason, we

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have said that "it is a misnomer to designate [such statutes] as having retrospective effect." (*Morris v. Pacific Electric Ry. Co.* (1935) 2 Cal.2d 764, 768 [43 P.2d 276].)

As further elaborated upon in *Kuykendall v. State Board of Equalization* (1994) 22 Cal.App.4th 1194, 1211, fn. 20:

"We also note the rule that a statute should be construed as not operating retroactively absent a clear legislative direction does not apply where, as here, the statute is remedial or procedural in nature. (Pacific Coast Medical Enterprises v. Department of Benefit Payments (1983) 140 Cal.App.3d 197, 204-205 [189 Cal.Rptr. 558].) "A statute which is procedural in nature may be given effect as to pending and future litigation even if the event underlying the cause of action occurred before the statute took effect. [Citations.]" (Pacific Coast Medical Enterprises v. Department of Benefit Payments, supra, at pp. 204-205.) "A statute is procedural when it neither creates a new cause of action nor deprives defendant of any defense on the merits. [Citation.] An amendment of a procedural statute applies to cases pending at the time of its enactment, providing vested rights are not affected. [Citations.]" (Strauch v. Superior Court (1980) 107 Cal.App.3d 45, 49 [165 Cal.Rptr. 552].) SB 263 at most "merely provided a new remedy for the enforcement of existing rights and was procedural in nature. [Citation.]" (Cf. Pacific Coast Medical Enterprises v. Department of Benefit Payments, supra, at p. 205.) "[P]arties do not have vested rights in existing remedies and rules of procedure. [Citation.]" (Hardy v. Western Landscape Construction, supra, 141 Cal.App.3d at p. 1018.)

Plaintiffs are correct in their contention that the distinction between substantive and procedural rights is not always clear-cut. In *Aetna Cas. & Surety Co. v. Industrial Acc. Com.* (1947) 30 Cal2d 388, the contention was made that there is no presumption against retrospective construction of statutes relating merely to remedies and modes of procedure. The court's answer was as follows: "This reasoning . . . assumes a clear-cut distinction between purely 'procedural' and purely 'substantive' legislation. In truth, the distinction relates not so much to the form of the statute as to its effects. If substantial changes are made, even in a statute which might ordinarily be classified as procedural, the operation on existing rights would be retroactive because the legal effects of past events would be changed, and the statute will be construed to operate only in futuro unless the legislative intent to the contrary clearly appears."

If Proposition 64 is not substantively retroactive, there is no associated constitutional impediment. As the court in *Yoshioka v. Superior Court* (1997) 58 Cal.App.4th 972, 981-982, 983, provides: "Retrospective application of a statute is constitutional as long as it does not deprive a person of a substantive right without due process of law.... Therefore, a State and its people may alter such rights. Such alteration is only forbidden when at the very least the party is deprived of every reasonable method of securing just compensation".

Hence, the question presented is whether application of Proposition 64 to the instant matter will deprive any plaintiff of substantive rights even if it operates procedurally. It should be noted that unlike the cases cited by plaintiffs, no party is being exposed to broader or expanded liability than was the law when the conduct occurred.

Accordingly, this Court must conclude that the plaintiffs have not lost any substantive rights by immediate application of the proposition. The analysis that follows is self-evident of this point.

For plaintiffs suing to recover for their own harm, Proposition 64 does not change their ability to sue. A current and immediate application of Proposition 64 to those cases presently pending would not prevent their lawsuit from moving forward. Accordingly, there is no deprivation of rights for those who have suffered injury in fact.

Plaintiffs suing only as representatives would lose nothing individually, since by definition, they are excluded precisely because they were not personally damaged, but instead sue on behalf of others.

If the representative Plaintiff is kept out of court by Proposition 64, those formerly represented individuals or entities who have, in fact, suffered actual injury, and have lost money or property, may bring their own §17200 cause of action, or a class action.

Since Proposition 64 exempts the Attorney General's office from the injury in fact requirement, this would be another way for the State to protect the interests of its citizens. The Attorney General may bring suit on behalf of the public. It can then be said with certainty that the plaintiffs have not been "deprived of every reasonable method of securing just compensation." *Yoshioka*, *supra*, at 983.

Moreover, plaintiffs are not losing a right to secure just compensation since damages are not allowed under §17200, but only restitution and injunctive relief. In suits by private parties (as distinguished from law enforcement) damages are not

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allowed under §17200 et seq., but only restitution and injunctive relief. Accordingly, this Court hereby applies Proposition 64 to the instant case.

Conclusion

There is no dispute that the Goodwin plaintiffs do not have standing under Proposition 64. However, with respect to the McKenna and Burstein plaintiffs it is proffered that they can meet the standing requirements under the new UCL. Plaintiffs assert that they have alleged injury in fact and have established injury and causation sufficient to defeat the instant challenge to the pleadings. This Court respectfully disagrees. The only money or property alleged to have been lost, is the money that the plaintiffs spent on the illegal purchase of alcohol and the argument that some damage resulted from the consumption of alcohol in violation of state law. This Court is not willing to consider money illegally spent on a product which the plaintiffs presumably illegally consumed, as money or property "lost" within the meaning of the UCL. Accordingly, no named plaintiff in this action meets the standing requirements of Proposition 64. Hence, the UCL claim must be dismissed.

This Court does not believe that the plaintiffs can allege any facts that will cure the defects. Thus, the Court declines to grant leave to amend. Accordingly, the defendants' motion for judgment on the pleadings is GRANTED without leave to amend.

CCP § 166.1 Request

Notwithstanding the instant ruling, this Court believes that there exists a controlling question of law to which there are substantial grounds for differences of opinion. Accordingly, this Court believes that appellate review and resolution of this

issue may materially advance conclusion of the litigation. Hence, pursuant to CCP § 166.1, this Court invites appellate review of the instant order. Likewise this Court invites such review to take place as soon as practicable.

Dated: 12/13, 2004

Peter D. Lichtman Judge of Superior Court