

**Law 205 - Litigation and Dispute Resolution Theory
(Fall 2022)
Bruce Kobayashi**

Course Schedule:
Tuesday 6:05-9:00pm

This syllabus is subject to change (last updated July 13, 2022)

Law 205. Litigation and Dispute Resolution Theory Course Description

3 Credit Hours

Class introduces the theory and practice of litigation and other forms of dispute resolution, and draws upon the basic tools of decision theory, game theory, and economic analysis to address some of the key features of the litigation process and its institutions. Among the topics addressed are the decision to commence litigation and whether to settle or go to trial; settlement negotiations; strategic behavior as affecting decision making by both private actors and the courts; economic analyses of litigation; agency or moral hazard problems presented by both lawyers and courts; the impact of attorney's fee arrangements, fee-shifting rules, and court-imposed sanctions; party versus court control of proceedings; and the effect of enforcement costs on competing substantive legal rules.

Learning Outcomes:

Upon completing this course, students will be able to analyze key features of the litigation process and rules of civil procedure and evidence using economics, decision theory and game theory.

Students will complete a term paper applying the tools of economics to analyze the effects of rules, laws, and strategy upon litigation outcomes.

Course Requirements:

TWEN Registration is Mandatory

Classroom Meetings:

- Class attendance and participation are required.
- Persons absent for more than 20% of the classroom meetings (three classes or more) will not receive a passing grade.

Office Hours:

- Room 450G or Zoom if in person meetings are not allowed or feasible.
- Office Hours by appointment (sign up on TWEN).

Grading

- The basis for the semester grade is as follows:
 - Term Paper (50%)

- 3 Writing Assignments (50%).
- All requirements and assignments are subject to change.

Reading Assignments:

- Up to date reading assignments can be found by clicking on the Reading Assignments link on the course TWEN page. A preliminary reading list for the entire semester has been attached below. However, this preliminary list is subject to change, and students are responsible to check each week for any updates.

Writing Assignments:

- Writing assignments will be posted one week before the due date, and can be found by clicking on the Writing Assignments link on the course TWEN page. There will be 3 assignments, each worth 1/6 of the final grade. The assignment due dates and times are listed on the syllabus and posted on the Writing Assignments link.
- Length guideline for writing assignments (1000 - 1500 words).
- All assignments must be submitted as a pdf file using the TWEN assignment drop box. **Other formats, E-mailed copies, or hard copies will not be accepted.**

Term paper

- Term Paper must use economic analysis to analyze some aspect of litigation, e.g., a legal case, legal rule or statute, or proposed rule or statute.
- Paper should be 25-30 pages in length
- The due dates for Preliminary topics and outlines and references are listed on the syllabus below and posted on the Writing Assignments link). Preliminary topics and outlines must be submitted as a PDF file using the TWEN Assignment Drop Box. **Other formats, E-mailed copies or hard copies will not be accepted.**
- The due date for Final Papers is posted on the writing assignments link.
- Final papers must be submitted as a pdf file using the TWEN assignment drop box. **Other formats, E-mailed copies or hard copies will not be accepted.**

Texts:

- Bone, Civil Procedure: The Economics of Civil Procedure (Bone) (Text is out of print and not available at the bookstore. Is available used at Amazon for under \$10.)
- Cover and Fiss, The Structure of Procedure (CF)
- Dixit & Nalebuff, Thinking Strategically (TS)

Preliminary Reading Assignments (last updated July 13, 2022):

Students are responsible for checking TWEN site for current reading assignment.

** - Required, * - Recommended, (R) Readings not available on LEXIS/WESTLAW.

August 23 - Class #1.

Basic Structure of the Course & Overview

General Background:

- **Bone, Chapter 1.
- **Kobayashi, *The Economics of Litigation*, available online at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2613145.
- *Cornell, "The Incentive to Sue: An Option Pricing Approach," 19 J. Legal Stud. 173 (1990) (article available on JSTOR <https://www.jstor.org/stable/724416?seq=1>)
- **Miller, "The Damages Dilemma in the Bet-the-Company Case," 17 *Litigation* No. 2, p. 12. (article available on JSTOR <https://www.jstor.org/stable/29759447?seq=1>)

August 30 - Class #2.

Judge and Jury Decisionmaking

Peremptory Challenges, Jury Size and Ex-Post Controls over the Jury

- **Lempert, "Jury Size and the Peremptory Challenge" (CF)
- **Tanner v. U.S. 483 U.S. 107 (1987).
- *Warger v. Shauers, 135 S. Ct. 521 (2014).

Judge versus Jury Decisionmaking.

- **Kalven and Ziesel, *The American Jury*, (1966) (excerpts from CF, Chp 5).
- *Clermont and Eisenberg, "[Trial by Jury or Judge: Transcending Empiricism.](#)" 77 *Cornell L. Rev.* 1124 (1992).

JMOL

Gelbach, Jonah B. and Kobayashi, Bruce H., *Legal Sufficiency of Statistical Evidence* (August 14, 2018). George Mason Legal Studies Research Paper No. LS 18-29. Available at SSRN: <https://ssrn.com/abstract=3238793>

September 6 - Class #3.

Game Theory and Trial Expenditures

- **Dixit & Nalebuff, (TS) Chapters 1-4.

Application I: The Prisoner's Dilemma

- ** [Page v. U.S., 884 F.2d 300 \(1989\)](#).
- ** [U.S. v. Singleton, 144 F.3d 1343 \(1998\)](#), *vacated*
- ** [U.S. v. Singleton, 165 F.3d. 1297 \(1999\)](#).

Application II: Lawyers and Litigation Expenditures

- **Gilson and Mnookin, "[Disputing Through Agents: Cooperation and Conflict Between Lawyers in Litigation.](#)" 94 *Colum. L. Rev.* 509 (1994).
- **Trubek, et al., "[The Costs of Ordinary Litigation.](#)" 31 *UCLA L. Rev.* 72 (1983).

September 13 - Class # 4

ASSIGNMENT 1 DUE.

The Decision to litigate versus settle

Models of the Litigation/Settlement Decision:

- **Bone, Chapter 2.
- **Kobayashi, *The Economics of Litigation*, (assigned week 1) available online at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2613145
- **Chayes, "The Role of the Judge in Public Law Litigation" (CF)
- **Fiss, "[Against Settlement.](#)" 93 *Yale L.J.* 1073 (1984).

Settlement Negotiation

- ** Dixit & Nalebuff (TS), Chapters 5 & 6.
- **ABA, [Litigation Manual](#), pp. 858-90, 918-25 (articles by Sullivan, Nolan, Lynch, Wallach, and Madden). (These readings are posted in course materials section)

*Gross and Syverud, "Getting to No: A Study of Settlement Negotiations and the Selection of Cases for Trial," [90 Mich. L. Rev. 319 \(1991\)](#).

September 20 - Class #5.

Predictability, Mixed Strategies, Credibility and Rule 11

**Dixit & Nalebuff, (TS) Chapter 7.

General Theory of Procedure

*Posner, "An Economic Approach to Legal Procedure and Judicial Administration," 2 J. Legal Stud. 399 (1973). (CF)

Craswell and Calfee, "Deterrence and Uncertain Legal Standards," 2 J.L. Econ. & Org. 279 (1986). (available on JSTOR)

**Calfee and Craswell, "[Some Effects of Uncertainty on Compliance with Legal Standards](#)," [70 Va. L. Rev. 965 \(1984\)](#).

Credibility

Schelling, [The Strategy of Conflict](#), Chapter 2 & 5 (1960).

Bebchuk, "Suing Solely to Extract a Settlement Offer," 17 J. Legal Stud. 437 (1988).

**Bebchuk, "A New Theory Concerning the Credibility and Success of Threats to Sue," 25 J. Legal Stud. 1 (1996) (available on JSTOR)

Nalebuff, "Credible Pretrial Negotiation," 18 RAND J. Econ. 198 (1987).

Frivolous Suits and Noerr-Pennington Immunity

*Klein, "Strategic Sham Litigation: Economic Incentives in the Context of the Case Law," 6 Int'l Rev. L. & Econ. 241 (1986) (Reading is posted in the course materials section).

*Klein, "Predation in the Courts: Legal Versus Economic Analysis in Sham Litigation Cases," 10 Int'l Rev. L. & Econ. 29 (1990).

**[Professional Real Estate Investors, Inc. v. Columbia Pictures 113 S.Ct. 1920 \(1993\)](#).

**[Grip-Pak Inc. v. Illinois Tool Works., 694 F.2d 466 \(1982\)](#), cert denied, [461 U.S. 958 \(1983\)](#).

Sanctions

**[FRCP Rule 11](#)

**[Cooter and Gell v. Hartmarx Corp., 496 U.S. 384 \(1990\)](#).

**[Willy v. Coastal Corp., 112 S.Ct. 1076 \(1992\)](#).

**Kobayashi and Parker, "[No Armistice at 11: A Comment on the Proposed Amendments to Rule 11 of the Federal Rules of Civil Procedure](#)," 3 Sup. Ct. Econ. Rev. 93 (1993).

September 27 - Class #6.

The Incentive Effects of Attorney Fee Structures

Legal Fees as Contract

Smith and Cox, "The Pricing of Legal Services: A Contractual Solution to the Problem of Bilateral Opportunism," 14 J. Legal Stud. 167 (1985).

Contingent Fees

**Miller, "Some Agency Problems in Settlement," 16 J. Legal Stud. 189 (1987). (Article is posted in course materials section)

**[City of Burlington v. Dague, 112 S.Ct. 2638 \(1992\)](#).

**[Evans v. Jeff D. 475 U.S. 717 \(1986\)](#).

*Hay, "Optimal Contingent Fees in a World of Settlement," 26 J. Legal Stud. 259 (1997).

Fee Shifting and Rule 68

*Shavell, "Suit, Settlement, and Trial: A Theoretical Analysis under Alternative Methods for the Allocation of Legal Costs," 11 J. Legal Stud. 55 (1982). (Available on JSTOR)

**Tetzlaff, "Opening Statement: The English Rule from the English Perspective," 18 Litigation No. 4, p. 1. (Available on JSTOR at <https://www.jstor.org/stable/29759551?seq=1>).

**ABA, Litigation Manual, pp. 1119-33 (article by Lutz). (Article is now posted in course materials section)

**Bone, Chapter 5.

**[Marek v. Chesny, 720 F.2d 474 \(1985\)](#), Rev'd [473 U.S. 1 \(1985\)](#).

- **Snyder and Hughes, "The English Rule for Allocating Legal Costs," 6 J.L. Econ. & Org. 439 (1990). (Available on JSTOR)

October 4 - Class #7.

PAPER TOPICS DUE.

Information, Work Product, and Attorney Client Privilege

A Theory of Information

- *Hirshleifer, "The Private and Social Value of Information," 61 Am. Econ. Rev. 561 (1971).
 *Kitch, "The Law and Economics of Rights in Valuable Information, 9 J. Legal Stud. 683 (1980).

Work Product and Attorney Client Privilege

- **Allen, Grady, Polsby, and Yashko, "A Positive Theory of Attorney-Client Privilege and the Work Product Doctrine," 19 J. Legal Stud. 359 (1990). (Posted in course materials section)
 *Easterbrook, "Insider Trading, Secret Agents, Evidentiary Privilege, and the Production of Information," 1981 Sup. Ct. Rev. 309.
 **Kaplow and Shavell, "[Legal Advice about Information to Present in Litigation: Its Effects and Social Desirability](#)," 102 Harv. L. Rev. 565 (1989).
 **[Hickman v. Taylor](#), 329 U.S. 495 (1947).
 **[Upjohn v. U.S.](#) 449 U.S. 383 (1981).
 **[Swidler and Berlin and James Hamilton v. U.S.](#), 118 S. Ct. 2081 (1998).

October 11 – No Class – Monday Schedule

October 18 - Class #8.

Pleading and Discovery Rules

Pleading

- **Bone, Chapter 4
 **Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007).
 *Ashcroft v. Iqbal, 556 U.S. ___, 129 S.Ct. 1937 (2009).
 **Allen, Ronald J. and Guy, Alan E., "Conley as a Special Case of Twombly and Iqbal: Exploring the Intersection of Evidence and Procedure and the Nature of Rules" 115 Penn St. L. Rev. 1 (2010).
 **Choi, et al, "The Screening Effect of the Private Securities Litigation Reform Act," 6 *Journal of Empirical Legal Studies* 35 (Issue 1, March 2014)
 **Gelbach, Johah B. "Can the Dark Arts of the Dismal Science Shed Light on the Empirical Reality of Civil Procedure?," 2 *Stanford Journal of Complex Litigation* 223 (2014)

Legal Discovery

- **ABA, Litigation Manual, pp. 178-83 (article by Lundquist). (R)
 **Kobayashi, "Law's Information Revolution as Procedural Reform: Predictive Search as a Solution to the *In Terrorem* Effect of Externalized Discovery Costs," 2014 *University of Illinois Law Review* 1473 (2014)
 *Cooter and Rubinfeld, "An Economic Model of Legal Discovery," 23 J. Legal Stud. 435 (1994).

Discovery Reform

- **Bone, Chapter 7.
 **Gelbach and Kobayashi, "The Law and Economics of Proportionality in Discovery," __ *Georgia Law Review* __ (forthcoming, working paper version available on SSRN at)
 *Redish, Martin H. and McNamara, Colleen, Back to the Future: Discovery Cost Allocation and Modern Procedural Theory, 79 Geo. Wash. L. Rev. 773 (2011).
 *Easterbrook, Frank H., [Discovery as Abuse](#), 69 B. U. L. Rev. 635, 638 (1989)
 *Bell, Varner and Gottschalk, "[Automatic Disclosure in Discovery-The Rush to Reform](#)," 27 *Ga. L. Rev.* 1 (1992).
 *Schwarzer, "[The Federal Rules, The Adversary Process, and Discovery Reform](#)," 50 U. Pitt. L. Rev. 703 (1989).

October 25 - Class #9

ASSIGNMENT 2 DUE

Economic Analysis of Evidence

**Parker and Kobayashi, Evidence, in the Encyclopedia of Law and Economics (2000), available online at <http://mason.gmu.edu/~bkobayas/KobayashiParker7900book.pdf>.

Standards of Proof

**Burtis, Gelbach, & Kobayashi, Error Costs, Legal Standards of Proof and Statistical Significance, 25 Sup. Ct. Econ. Rev 1 (2017), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2956471

Expert Testimony

**[Daubert v. Merrell Dow Pharmaceuticals, Inc., 113 S.Ct. 2786 \(1993\)](#).

**[Federal Rules of Evidence, Rules 403, 702, 703, 706](#).

**Parker, "[Daubert's Debut: The Supreme Court, the Economics of Scientific Evidence, and the Adversarial System](#)," 4 Sup. Ct. Econ. Rev. 1 (1994).

*Langbein, "[The German Advantage in Civil Procedure](#)," 52 U. Chi. L. Rev. 823 (1985).

Character Evidence

**[Federal Rules of Evidence 404, 412, 413, 414, 415](#).

**Schrag and Scotchmer, Crime and Prejudice: The Use of Character Evidence in Criminal Trials," 10 J.L. Econ. & Org. 319 (1994). (available on JSTOR)

November 1 - Class #10

Multiple Litigants and External Effects I

Multiple Defendants, Prisoners' Dilemmas

**ABA, Litigation Manual, pp. 891-900, 1076-91, 1163-76 (articles by Dewey, McSweeney & Brody, Wiener, Grayson & Dodd, and Brown). (Articles are posted in Course materials Section)

**Bernstein and Klerman, "[An Economic Analysis of Mary Carter Settlement Agreements](#)," 83 Geo. L.J. 2215 (1995).

Contribution and Setoff Rules

**Klerman, Dan, Settling Multidefendant Lawsuits: The Advantage of Conditional Setoff Rules, 25 J. Legal Stud. 445 (1996). (available on JSTOR)

**[McDermott v. Amclyde, 114 S.Ct. 1461 \(1994\)](#).

*Landes and Posner, "Joint and Multiple Tortfeasors: An Economic Analysis," 9 J. Legal Stud. 517 (1980).

November 8 - Class #11. Class will be held Online.

OUTLINE AND REFERENCES DUE

Multiple Litigants II - Multiple Plaintiffs

Counterclaims and Joinder

**McInerney, "Counterclaims as Self-Inflicted Wounds," [18 Litigation No. 3](#), p. 17. (Available on JSTOR)

**Landes, "Counterclaims: An Economic Analysis," 14 Int'l Rev. L. & Econ. 235 (1995). (Posted in Course Materials Section)

Braverman, [Janus was not a God of Justice: Relainment of Parties in Diversity Jurisdiction](#), 68 N.Y.U. L. Rev. 1072 (1993)

Capitalization of Litigation and Multiple Plaintiffs

*Landes and Posner, "The Economics of Anticipatory Adjudication," 23 J. Legal Stud. 683 (1994).

**Bone, Chapter 8

**[Parklane Hosiery v. Shore, 439 U.S. 322 \(1979\)](#).

**[Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation 402 U.S. 313 \(1972\)](#).

**Hay, "Some Settlement Effects of Preclusion" [1993 U. Ill. L. Rev. 21 \(1993\)](#).

Spurr, "Collateral Estoppel," 11 Int'l Rev. L. & Econ. 47 (1991).

Vacatur

- **Fisch, [Rewriting History: The Propriety of Eradicating Prior Decisional Law Through Settlement and Vacatur](#), 76 Cornell L. Rev. 589 (1991).
- **[U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership](#) 115 S.Ct. 386 (1994).
- **[U.S. v. Munsingwear, Inc.](#) 340 U.S. 36 (1950).

November 15 - Class #12.

Class Actions, Statistical Adjudication, and Trial by Formula

- Bernstein, "Judicial Economy and Class Actions," 7 J. Legal Stud. 349 (1978).
- Deweese, Prichard and Trebilcock, "An Economic Analysis of Cost and Fee Rules for Class Actions," 10 J. Legal Stud. 155 (1981).
- **Bone, Chapter 9.
- **Bone, Tyson Foods and the Future of Statistical Adjudication, 95 N. Car. L. Rev. 607 (2017).
- **[Phillips Petroleum v. Shutts](#), 472 U.S. 797 (1985).
- **Friedman, ["More Justice for Less Money."](#) 39 J.L. & Econ. 211 (1996)
- **Saks and Blank, ["Justice Improved: The Unrecognized Benefits of Aggregation and Sampling in the Trial of Mass Torts,"](#) 44 Stan. L. Rev. 815 (1992)
- **[Cimino, et al. v. Raymark Industries, Inc., et al.](#), 751 F.Supp. 649.
- **Wal Mart v. Dukes, 564 U.S. 338 (2011).
- **Tyson Foods, Inc. v. Bouaphakeo, 136 S. Ct. 1036 (2016)

November 22 - Class #13.

ASSIGNMENT 3 DUE.

Punitive Damages and Penalty Structure

- *Becker, "Crime and Punishment: An Economic Approach," 76 J. Pol. Econ. 169 (1968).
- **[State Farm Mut. Auto. Ins. Co. v. Campbell](#) 123 S.Ct. 1513 (2003).
- **[BMW of North America, Inc. v. Gore](#), 116 S.Ct. 1589 (1996).
- **[Philip Morris USA v. Williams](#), 127 S.Ct. 1057 (2007).
- **[Exxon Shipping Co. v. Baker](#) 128 S.Ct. 2605 (2008).
- **Polinsky and [Shavell](#), [Punitive Damages: An Economic Analysis](#), 111 Harv. L. Rev. 869 (1998)
- *Eisenberg, Goerdt, Ostrom, Rottman and Wells, "The Predictability of Punitive Damages," 26 J. Legal Stud. 623 (1997)
- Polinsky and Che, "Decoupling Liability: Optimal Incentives for Care and Litigation," 22 RAND J. Econ. 562 (1991).