¢	ase 2:09-md-02047-EEF-JCW Docum	ent 756 Filed 01/15/10 Page 1 of 23 1
_		
1	UNITED STATES DISTRICT COURT	
2	EASTERN DISTRICT OF LOUISIANA	
4		
5	IN RE: CHINESE MANUFACTURED	* Docket 09-MD-2047
6	DRYWALL PRODUCTS LIABILITY LITIGATION	* January 14, 2010 *
7	This Document Relates to All	Cases * 9:00 a.m. * * * * *
8 9		
10	STATUS CONE	ERENCE BEFORE THE
11	HONORABLE ELDON E. FALLON UNITED STATES DISTRICT JUDGE	
12		
13	APPEARANCES:	
14	E .I DIG	
15	For the PLC:	Herman Herman Katz & Cotlar, LLP BY: RUSS M. HERMAN, ESQ. LEONARD A. DAVIS, ESQ.
16		820 O'Keefe Avenue New Orleans, Louisiana 70113
17		Them of realis, Louis raila rolls
18	For the DLC:	Frilot, LLC BY: KERRY J. MILLER, ESQ.
19		1100 Poydras Street, Suite 3700 New Orleans, Louisiana 70163
20		
21	For the Home Builders and Installers:	Stone Pigman Walther Wittmann BY: PHILLIP A. WITTMANN, ESQ.
22		546 Carondelet Street New Orleans, Louisiana 70130
24	Also Participating:	Dawn M. Barrios, Esq.
25	This i are respacing.	Arnold Levin, Esq. Michael K. Rozen, Esq.

Case 2:09-md-02047-EEF-JCW Document 756 Filed 01/15/10 Page 2 of 23 Toni Doyle Tusa, CCR, FCRR 500 Poydras Street, Room B-406 New Orleans, Louisiana 70130 (504) 589-7778 Official Court Reporter: Proceedings recorded by mechanical stenography, transcript produced by computer. 

## 1 PROCEEDINGS 2 (January 14, 2010)

THE DEPUTY CLERK: All rise.

THE COURT: Be seated, please. Good morning, ladies and gentlemen. Call the first case, please.

THE DEPUTY CLERK: MDL 2047, In Re: Chinese Drywall.

THE COURT: Counsel make their appearance for the record.

MR. HERMAN: May it please the Court. Good morning, Judge Fallon. Russ Herman for plaintiffs.

MR. MILLER: Good morning, Your Honor. Kerry Miller on behalf of the defense steering committee.

MR. WITTMANN: Good morning, Your Honor. Phil Wittmann for the homebuilders and for the installers.

THE COURT: After this, let's everybody use the mic. It looks like we have about 150 people present and we have an equal amount, perhaps more, on the phone. Let's use the mics so everybody can hear what's being said.

I met with the steering committees this morning to discuss the proposed agenda. I will take it in the order that it is stated. First, pretrial orders.

MR. HERMAN: May it please the Court. Your Honor, at page 1, there is some clarification Your Honor wanted to make with regard to the orders 1C and 1D about lifting the stays with regard to responsive pleadings.

THE COURT: Let me talk about the stays. When an MDL begins, the transferee judge gets a lot of cases. Many of those cases had motions attached to it. Other cases, the motions are anticipated and they are to be filed shortly. I want everybody's attention at the beginning to be focused on organizational aspects of the case. I have to stop discovery from continuing so that we can get some structure in place to deal with it as an MDL, so I issue a stay order stopping everything and focusing everybody's attention on structure and some other organizational issues. After that aspect of the case is over, then I lift the stay.

The reason for lifting the stay is to permit people to file answers, to file responses, whatever they need to file. Now, that doesn't mean that I'm going to immediately devote time to handling those various motions. What I try to do in a case of this sort is to open the gates, let people file what they need to file, then I see what's filed, and then I group them into various groups that contain similar issues. I look at each group and make a decision as to which motion best represents that group and I tee that up for hearing. When I decide that, hopefully it decides similar motions or similar issues or at least gives some guidance to those matters.

We are at the stage now where I lifted the stay. Now, there may be some areas that a particular motion needs to be clarified, but I'll deal with that as it's necessary. The

point is that now I've lifted the stay, so anybody who wants to file or needs to file something, they ought to be filing it.

Property inspections is the next item on the agenda.

MR. HERMAN: Your Honor, I'm pleased to report that the intervenors' inspections in *Germano* are complete. Recently, the inspections of intervenors in *Hernandez* are complete. I personally want to acknowledge on the record the work that the *Germano* and *Hernandez* trial teams and the science committee has done as well as the 60 or more lawyers that showed up last night for our meeting. I don't have anything further to add as to inspections.

**THE COURT:** How about from the defense?

MR. MILLER: No, Your Honor. I think that's correct. The focus has been on *Germano* and *Hernandez*, and those inspections have been conducted at those properties.

There is an issue that Russ and I probably need to discuss pertaining to Crawford & Company. They were the inspection company. I think they have been solicited by some other outfits doing drywall inspections. They were the Court-approved inspector, and they are awaiting guidance from us as to whether they can take some other jobs that wouldn't conflict them out from further court duties.

MR. HERMAN: I will attempt to discuss that with Kerry today. There is one other issue about Crawford &

Company. The *Hernandez* trial team -- Steve Herman, Skip, Chris, etc. -- have indicated the Hernandez home now looks like Swiss cheese there have been so many inspections and holes cut by government agencies, by intervenors, by our own people. We would like to have considered, rather than any more samples taken, using the Crawford samples in connection with the preparation of the *Hernandez* trial.

THE COURT: Yes. That was the reason for picking Crawford & Company just so that we are all on the same page. Within several weeks after getting this case, I felt that the first order should be to conduct immediate inspections. The issue then is who's to conduct the inspections.

What we did was put out a notice to any companies that are interested in doing inspections from the Court's standpoint, that they would be appointed by the Court to do the inspections. Several applied. I interviewed them. The one that seemed to be the best capable of doing something on a nationwide basis, with sufficient knowledge and experience, was Crawford & Company. I appointed them.

A protocol was designed. Everybody had input into the protocol, the method for the inspections. They conducted the inspection, and the protocol was obviously out of sync. It needed to be clarified. It needed to be altered to make more sense out of it, so we altered the protocol. Then they took it back and started working on it and conducting the

inspections.

They have some good experience in this area, and I haven't heard any problems that anybody has raised about any bias or inexperience or things of that sort. It seems to me that everybody profits from having someone who has the experience and the capacity to do the inspections. It seems to me that we ought to utilize that type of grouping for these inspections.

Anybody else who does it, I can't obviously tell them not to do it, but if it's going to be used in trial, I suggest that they get the Court's approval first so that I can deal with it. It doesn't make any sense to me to have 15 different groups inspecting a piece of property because, in inspecting, you have to cut holes and remove certain things, and there will be nothing left to the property. So that creates its own problems. Who's to pay for that at the end of the day? We have enough issues in this particular case. We ought not to try to manufacture other issues.

Plaintiff and defendant profile forms.

MR. HERMAN: Your Honor, just one issue. It's not ripe before Your Honor. There are a number of defendant profile forms that we do not have certified copies of their insurance policies. We are filing 30(b)(6) notices limited to insurance matters with reference to all of those defendants, and we'll report to you at the next hearing.

THE COURT: As I mentioned several times, the purpose of a profile form is to expedite discovery. If we have to wait for long lists of interrogatories back and forth and waiting for 30 days, another 15 days, and so forth, you will never get through with this case. In order to expedite matters, I put into place profile forms. It gives you a quick peek on some significant material from each side.

That doesn't mean you can't do interrogatories or it doesn't mean that you have given up your right to do discovery. It simply is a way of expediting the transfer of information, and it's a cheap way of doing it also. So it's fast and quick and economical, but I'm serious about it. The parties have to comply with the Court's order to produce profile forms.

Now, we have some situations where the plaintiffs haven't completed the profile forms and I have motions before me to dismiss the case. I have looked at the material, and there's a question of whether or not people got notice and whether or not the notice was sufficient and things of that sort. I'm going to continue those motions for the next hearing date because they're legitimate issues.

The point I make is that I expect them to put information on the profile forms and supply the profile forms. If the people don't do that, I assume they are not interested in pursuing their case. The same way from the defendant. If

the defendant fails to supply profile forms, I will entertain motions to dismiss defenses and take whatever steps I need to do there. It's going to only be effective if the people comply with the profile forms, and I'm serious about it. That's the Court's position on the profile forms.

Preservation order is the next item.

MR. HERMAN: Nothing new to report, Your Honor.

THE COURT: State/federal coordination, anything on

that?

MR. HERMAN: Just one issue for me and then

Ms. Barrios will report. Yesterday, the Louisiana attorney
general in CDC No. 2010-392, State of Louisiana district court,
filed an action versus Knauf and others in connection with
drywall. The attorney general of Louisiana, Buddy Caldwell, or
his representative was invited to appear here today as a
courtesy. So far, we have not heard back. Both Mr. Miller and
myself intend to dialogue in that regard.

THE COURT: I have received a courtesy copy of the material. It's an issue as to whether or not there's any overlapping or whether or not there's a carve-out for the MDL proceedings. It looks at first blush that there's a carve-out, but there's also some other words and statements in the pleading that may be in conflict. I'll have to study that a little bit more.

Of course, the cases need to be served. If they

are served, the issue then is whether or not they can be removed to this Court and consolidated in this particular proceeding.

MR. HERMAN: Your Honor, Ms. Barrios is here with regard to state/federal coordination.

THE COURT: Okay.

MS. BARRIOS: Good morning, Your Honor. Dawn Barrios for the state/federal committee. In addition to the Louisiana attorney general's case that Mr. Herman discussed, there was only one other state filing that we had since the last status conference and that is *Silva v. Interior/Exterior*, which was filed in CDC. On our disc this month, we have all the judges' contact information on those two cases. There have been no conditional transfer orders since the last status conference and no remands filed.

THE COURT: Thank you very much. I have been in touch with most of the judges in the states that have entered the litigation. I've established a working relationship with them. I have several on the line this morning. They need to know I appreciate all of their help in this matter and look to them for guidance, particularly in the laws of their respective states. I look forward to working with them in this matter. I have made available to them all of the orders that the Court has issued and will continue to do so.

MR. MILLER: Your Honor, on that issue -- just to use

this forum where we have so many people in the courtroom and on the line, something to think about -- my client, Knauf Plasterboard (Tianjin), accepted service of an omnibus complaint filed by the PSC back in December that numbered some 2,000 plaintiffs. It may make sense -- and I offer this as food for thought -- for state court actions in which those same plaintiffs appear in claims against builders or others in the supply chain -- we don't have any against my client, but it may make sense that those actions be stayed or deferred given the fact that there is acceptance of service and there's a 2,068-person omnibus complaint proceeding in Your Honor's Court. I offer it for consideration, judicial efficiency, and streamlining things.

MR. HERMAN: May it please the Court. I'll be happy to discuss it with Mr. Miller and Mr. Wittmann perhaps tomorrow if they are available.

Your Honor, with respect to the next item, Item VII --

THE COURT: We have several motions in this matter.

What I will do is I will take those motions up after our

meeting here today. I'll defer those until after this meeting
is over. Any discovery issues?

MR. HERMAN: Your Honor, there are some discovery issues. One of the motions set for today involves discovery issues. Discovery and other issues involving *Germano* and

Hernandez, as I understand it, Your Honor will meet with those trial team leaders following the conference today.

THE COURT: That's correct.

MR. HERMAN: I did want to point out again for the record that Your Honor's Web site, which posts these hearings and other significant matters in *Drywall*, is at www.laed.uscourts.gov. We continue to get a number of inquiries. We refer folks to that Web site, www.laed.uscourts.gov, and then you can reference MDL Docket No. 2047.

Your Honor, with regard to Freedom of Information Act public records requests, we have had an exchange with the CPSC, and we understand that they are articulating with other government agencies. We really have no matter before Your Honor.

We have a chart at pages 15 through 20 of Your Honor's status conference report detailing all of the FOIA orders which we are aware of, what the responses are, and what the current situation is. In light of the *Germano* and *Hernandez* trials, from a PSC point of view and I believe from an intervenor point of view, those issues are not paramount at this time.

MR. MILLER: It doesn't appear to be, Your Honor. We want to thank Mr. Herman's office. I think they have supplied us with the FOIA information that they received. I know we

have one issue where it looks like we got corrupted data from the EPA. I think our offices are working on sorting that out. I think Mr. Herman's assessment is right. That's not a priority issue at the moment.

THE COURT: Let's keep heads up on that. It seems to me that if somebody does a FOIA request and gets information, it ought to be distributed to the other side so everybody doesn't have to write the same agencies and get either some material or no material or partial material. Let's continue to do that. Of course, I will put this up on the Web site so everybody can see it.

Trial settings. We have talked about that with Germano and Hernandez. I'll be meeting with the parties.

Filings in the MDL.

MR. HERMAN: Excuse me, Your Honor. We also jointly submit a case management order for Your Honor's consideration in *Hernandez*. It will be submitted to Your Honor.

MR. MILLER: If you would like, we have it ready to submit. I can hand it to the clerk.

MR. HERMAN: Absolutely. I subscribe to Mr. Miller handing it. I like the "clean hands" theory.

THE COURT: I directed the parties to get together and prepare a case management order. That's my first approach with case management orders either now or in the future. I ask counsel to get together and try to do it. If they can't do it,

then I will get each version or versions of the case management order and I will draft the one that I feel is appropriate.

Unless it's a problem with dates or whatever, I look to them for some guidance, at least initially.

Notices of appearance and default judgments, next item.

MR. HERMAN: Your Honor wanted to make some additional remarks about the necessity for filing appearance forms. Other than that, we have no new matters under filings in the MDL.

THE COURT: Yes. It's important that the parties enter the case before they have access to any material. The reason for that is not to deprive them of access but to make sure that it's under the auspices of the MDL court so that I can deal with it. If they feel that they haven't gotten enough, they can turn to me. If they feel like there's some problem, I can deal with it from each side. I can't deal with it if they are not in the litigation. It's important that they enter the litigation, and I look forward to them doing that.

The next item is on insurance issues.

MR. HERMAN: Your Honor, the only insurance issues relate to certified copies of policies. We defer that issue at this time. We do want to point out that there was an issue with LexisNexis. Leonard Davis has conferred with the clerk of court. We don't anticipate a problem at this time.

THE COURT: There's also some matters that I mentioned the last time with the insurance companies, the issue of whether or not they should be transferred to the MDL and consolidated with this case or whether they should go forward in separate, independent jurisdictions.

I studied the matter a little more closely, and I find that a lot of the policy defenses that are being urged really have to do with the type of issues that I'll be dealing with in the MDL; that is to say, a defense might be contesting contamination or contesting the type of material that was being used and whether or not that's accepted or excluded by the policy.

Rather than have discovery in the various districts of the country on the same issues -- the whole purpose of the MDL is to prevent that -- those insurance issues, since they deal with the same facts that I will be dealing with in the MDL, it looks like that those cases are better and more efficiently dealt with if they are transferred to the MDL. Hopefully, that will be done.

MR. MILLER: Your Honor, I just want to report on that issue. There are some insurance cases that are already here, and those are cases that would have been filed in the Eastern District initially or in state court within the jurisdiction of the Eastern District and removed. Since I'm defense liaison counsel, I have been contacted by some insurers

along the way who are here and have filed or would like to file different types of motions.

I'm not particularly aware of what those issues are, but in light of the Court's statement that it may be entertaining broader insurance issues not only from Louisiana but from some of the other states that are impacted -- Florida, Mississippi, and so on and so forth -- it may make sense that some attention be devoted to that issue in terms of structure and organization. I do know that some of the local insurers and their counsel here have been trying to get their motions filed and heard, and if you have a slew of others to come from other states, some attention maybe should be paid to that from an organizational standpoint.

THE COURT: Some of the issues may be dealt with under state law, but a lot of the substance of the defenses that I'm looking at or heard about or read about have to do with the same issues in this particular case. I may be able to group those cases and deal with them.

MR. HERMAN: Your Honor, briefly, I'll point out that some have been filed directly in the MDL and some in other divisions. We'll endeavor to get the Court where they are as soon as possible.

**THE COURT:** The next item is service of pleadings electronically.

MR. HERMAN: LexisNexis had an issue. Leonard Davis

discussed it with the clerk of court. We don't think it's going to be an issue. If it becomes an issue, we'll alert the Court.

With respect to the next three items on Your Honor's agenda -- master complaint, class action complaint (indeterminate defendant), omnibus class action complaint and future omnibus class action complaints -- lead counsel for plaintiffs, Mr. Levin, will address those.

MR. LEVIN: Arnold Levin. Your Honor, at this point we feel there's no need for a master complaint because most matters have been consolidated or grouped into either the indeterminate defendant complaint or an omnibus complaint.

With regard to the indeterminate defendant complaint, we have entries of appearance. We have had service with no entries of appearance. We intend to send the transcript of these proceedings to the unrepresented and the represented so they know what their obligations are with regard to filing motions because there has been a refinement of Pretrial Order 1.

With regard to the omnibus class action complaint, there has been no service. The clerk's office is in the process of getting the summons out. Our service is in the process of translating the complaints. There will be service. We anticipate within the next month filing three additional complaints:

An omnibus roman numeral II complaint against non-Knauf manufacturing defendants along with their distributors, installers, brokers, etc.; another Knauf complaint which we will serve, rather, because there's no acceptance of service, but the PSC will take on the obligation of serving it for all plaintiffs' counsel; and another complaint which will dovetail probably by intervention with the indeterminate defendant complaint, which will bring in those brokers, those installers, those builders.

So at that point I don't see a need for a master complaint because we will have four or five master complaints, really.

THE COURT: Okay. We'll take a look at that. I don't think that the fact that you don't have one now means that you can never have one. If we feel that a master complaint can be more efficient, then we can take a look at it at that time.

Master complaints, as we all know, are really more for efficiency, so that they are grouped into one complaint so we don't have to file 100 motions or 200 motions or 1,000 motions; just file one motion and it covers 1,000 cases. It doesn't do anything other than it's a housekeeping measure. We may not need it in this case.

MR. LEVIN: If we need it, we know how to do it.

THE COURT: Knauf personal jurisdiction.

MR. HERMAN: The special master, Michael Rozen, is in the court.

THE COURT: Anything from the special master?

Mr. Rozen, as you know, I've asked to be the special master in this particular case. I know he has been hard at work.

THE SPECIAL MASTER: Good morning, Your Honor. The only thing that I would report is that negotiations have been ongoing with all the parties, everybody in complete and the utmost of good faith, and I remain optimistic that we will get something done here in the short term.

THE COURT: Good. Thank you very much.

MR. HERMAN: Your Honor, Item XIX, Knauf GIPS KG personal jurisdiction, was covered earlier. Are there any comments that Mr. Miller wishes to make? I believe we have covered it.

Appearing under Item XX, proceedings in *Germano*, Your Honor has scheduled a conference with those participating in that trial for plaintiff, for Knauf intervenor, and for Mitchell intervenor immediately following. Whatever issues there are will be discussed with Your Honor at that time.

With respect to *Hernandez*, the new order has been presented to Your Honor, CMO, for consideration. There are no issues until that CMO is entered. Hopefully, by meeting with *Germano* today, some of the anticipated issues can be resolved.

1 THE COURT: The next status conference will be 2 February 11. At 8:30, I'll meet with the steering committees, 3 and I'll open court at 9:00. MR. HERMAN: I understand that Your Honor also --4 5 **THE COURT:** I've been asked by the parties to have a 6 telephone status conference on the cases that are set for 7 We are doing it January 28 at 10:00 in the morning. 8 We'll post the numbers. 9 MR. HERMAN: That concludes it. 10 **THE COURT:** I know the parties are working on these 11 trials and other matters. I don't want to take too much time 12 from their work on this matter. Anything further on it? 13 MR. MILLER: No, Your Honor. 14 MR. HERMAN: No. Your Honor. MR. WITTMANN: Just one thing, Your Honor. Phil 15 16 Wittmann. We have discussed with Mr. Herman and Mr. Miller 17 meeting with them with respect to teeing up the personal 18 jurisdiction issue on Knauf GIPS. We agreed to meet and 19 discuss that further after the hearing today. 20 Just so everybody, again, understands, I THE COURT: 21 gave the plaintiffs the opportunity to select the first trial, 22 Knauf the second trial, and the home builders the third trial. 23 He was talking about that particular trial and the structure of

it and the issues. I suggested to the parties that they get

together and talk about it and then bring it to me if they

24

25

1 can't agree. If they do agree, bring it to me anyway, and I 2 will see whether or not I agree. MR. HERMAN: Your Honor, may it please the Court. 3 4 You have two motions and you have a Germano --5 **THE COURT:** I'll take a break at this time just for 6 five minutes to let anybody who is not involved in the motions 7 either sign off or leave, and then we will take the motions. 8 MR. MILLER: Your Honor, before we sign off, the 9 concern here is that the motions that the PSC have are now only 10 against two defendants. These are motions to compel. 11 to make sure these defendants don't get off the line, if they 12 are not here, before we take a break. 13 THE COURT: Most of the motions have been resolved. 14 Which ones do we still have to deal with? 15 MR. DAVIS: Your Honor, Leonard Davis. La Suprema 16 and Rightway Drywall are the two remaining issues. 17 THE COURT: Also, we have an issue with the 18 amendment. Is that still on? 19 MR. MILLER: I don't think that's contested or 20 opposed. 21 MR. DAVIS: There was an opposition. 22 THE COURT: There was an opposition in one of them. 23 So these two motions plus the *Hinkley* amendment. Is that it? 24 Someone stood up in the back. Do you want to come forward and 25 speak in the microphone?

1 MR. MILLER: Your Honor, I just want to make sure 2 that counsel who are opposing these motions -- it's not me --3 are here or on the phone. THE COURT: Defense counsel is Eduardo Rasco and Greg 4 Burge in those two. 5 6 Yes, sir. You want to make your appearance. 7 MR. BRENNER: My name is Ted Brenner. I represent 8 Tobin in the *Hinkley* case, Judge. 9 MR. HARDT: Your Honor, this is Ken Hardt. Can you 10 hear me? 11 THE COURT: Yes, I can. 12 MR. HARDT: I represent Venture Supply and 13 Porter-Blaine in the *Hinkley* case. 14 THE COURT: In five minutes, I will come back and deal with those three motions. 15 16 MR. MILLER: Your Honor, with respect to the motion 17 against La Suprema, I haven't heard anything from their 18 counsel. 19 THE COURT: Anything from Mr. Rasco? 20 MR. MILLER: It may be that they are on "listen" 21 If they are, maybe they need to contact the Court, if 22 they want to call in in five minutes. 23 THE COURT: All right. The Court will stand in 24 recess for five minutes. 25 THE DEPUTY CLERK: All rise.

1 CERTIFICATE

I, Toni Doyle Tusa, CCR, FCRR, Official Court
Reporter for the United States District Court, Eastern District
of Louisiana, do hereby certify that the foregoing is a true
and correct transcript, to the best of my ability and
understanding, from the record of the proceedings in the
above-entitled and numbered matter.

<u>s/ Toni Doyle Tusa</u> Toni Doyle Tusa, CCR, FCRR Official Court Reporter