

**1/11/2010**

## **UPDATE ON THE STATE FARM v PYORRE-WIER CASE**

The litigation of State Farm vs. Pyorre-Wier currently has two separate actions. Both Cases are in California one is in Mendocino County, Case #CV82819 regarding "alleged trade secrets" and the other is in Sonoma County, Case #SCV234700. The Sonoma case is in regard to State Farm's demand for reimbursement for defense costs paid by State Farm under the agents' business policies in the defense of Agents Pyorre and Wier in the Mendocino Case.

Pyorre and Wier's contracts as State Farm agents were terminated in Feb 1999. Pyorre for not attending a mandatory meeting (although State Farm has told the IRS, under penalty of perjury, its agents have no mandatory meetings) and Wier for wanting to reserve his rights under his current contract before signing a new mandatory computer agreement. Pyorre had been an agent for 27 years and Wier for 12 years.

After terminating both agents, State Farm sent each a letter stating they would not be paying them termination payments (as per the State Farm contract) which would have amounted to hundreds of thousands of dollars. After receiving this notice both agents contacted other insurance companies and began soliciting insurance of their former policyholders. State Farm eventually filed suit and accused the agents of theft of trade secrets, conversion, unfair competition and several other things.

Since both Pyorre and Wier were State Farm policyholders at the time they filed a claim with State Farm for their defense costs. State Farm was compelled to provide the defense coverage and it amounted to approximately \$2,000,000 over the next few years as well as the approximately \$4,000,000 for State Farm's portion. So you had a litigation brought by State Farm that cost them approximately \$6,000,000 through August of 2002.

The jury trial over the trade secrets, conversion and unfair competition, etc. was a little over 6 weeks and the jury in August 2002 found for Pyorre and Wier in the amount of \$12,600,000 and nothing for State Farm. However, approximately 5 months after the jury verdict the judge ruled the "jury may have been confused" and ordered a new trial.

During the appeals process State Farm then filed another lawsuit against Pyorre and Wier, this time in Sonoma County and in addition refused to continue paying for the ongoing litigation in the Mendocino Case. The Sonoma County suit sought to recover monies paid by State Farm for the defense of Pyorre and Wier.

The Sonoma case went to a jury trial in Oct 2009 and the jury found Pyorre and Wier owed nothing to State Farm and the judge certified verdict. State Farm then appealed the verdict to the court and asked for a new trial or a JNOV which both were denied by the judge. State Farm now has to either accept the verdict or file a motion to the California Appellate Court.

In the Mendocino Case most all of the claims by State Farm have been dropped except for the trade secret issue. In an attempt to avoid another jury trial State Farm told the court they were dropping any damage claims and therefore argued Pyorre and Wier were no longer entitled to a jury trial. The bench trial has been set and revised numerous times with the latest date set for April 5, 2010.

The interesting part about the remaining Mendocino Case is that State Farm insists Pyorre and Wier were/are not entitled to have the declaration pages of previous policyholders but Wier later gave his back to State Farm and Pyorre destroyed his. State Farm claims the old (almost 11 years now) declaration pages are trade secrets and belong to them. What State Farm fails to recognize is State Farm has the original declaration pages, if they kept them, and were supplied with copies of those that Pyorre and Wier kept when they were terminated. It appears State Farm sued Pyorre and Wier because they had the declaration pages, but now State Farm wants to continue to litigate against them because they don't have them.

Maybe State Farm wouldn't have to increase the premiums on its policies if their executives could control their egos.