

Final Exam  
Advanced Torts

AB is a small but aggressively growing company that creates specialized computer solutions for businesses. They bid for, and won, a contract from a CD, large international company. One feature of the contract was that this specific project was a pilot program; the company that won the contract would be awarded follow-up contracts from CD, provided the project was implemented successfully and on time. Because AB was a small, basically unknown company, CD required that AB hire someone of CD's choosing to oversee the financial operations. AB agreed, in part because it allowed AB to devote essentially all of its resources to this high-stakes contract. The local site of the project was over 1200 miles from the home offices of both CD and AB.

Shortly after the contract was signed, CD assigned FO to be the financial officer. FO was stationed at the work site, not at AB's home office. Almost immediately, FO informed AB's management that he would sabotage the work unless he were given a substantial kickback. AB refused, and FO began, indeed, sabotaging the work. He withheld project materials and information, intentionally caused delays, and demoralized AB's workers by not paying invoices and expense reimbursements. He destabilized AB by canceling or changing the terms of contracts with other vendors. FO reported to CD's home office that AB's management, particularly the company's owner, RE, and AB's workers were not qualified for the work.

In the meantime, FO funneled the information and project requirements to some friends of his who, quite unofficially, took over the project. Late one night, these workers removed all of AB's equipment and disconnected all the local and mobile communications, including mobile phones and internet access. AB's web page was then inaccessible by anyone.

Using outside sources for intervention, AB formally complained to CD's home office. CD agreed to pay some of the smaller outstanding invoices and said they would negotiate the

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remaining \$3 million in outstanding bills. AB traveled to the local site for the negotiation, but CD did not appear. Instead, AB found a full-page newspaper ad warning against doing business with AB or with its employees, naming RE specifically.

AB filed suit for \$3.4 million, claiming only the \$3 million in unpaid invoices and attorney's fees (no damages). The court issued an injunction to CD to pay. CD appealed the order and requested a settlement conference. CD kept postponing the settlement conference and filing false affidavits so further court action would be delayed.

AB had to close six out of seven of its other projects because of lack of funds and the disgruntled personnel who left. All of AB's physical assets, such as laptop computers, printers, fax machines, and telephone equipment are lost from the ones that CD seized plus the ones the AB employees took when they left as recompense for not having been paid for their work.