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WLF Asks California Supreme Court to Review Case and Overturn State's Odd Parol Evidence Rule

(Jibe Audio, LLC v. Beats Electronics, LLC)

“[N]early everywhere else ... extrinsic evidence may not be introduced to alter the meaning of a ... contract between two parties. By not excluding such evidence outright, California’s conception of the parol evidence rule creates uncertainty for people and businesses engaging in commercial transactions. Allowing this rule to persist will just allow the mass exodus of business from California ... to continue.”
—Richard Samp, WLF Chief Counsel

WASHINGTON, DC—In a letter brief filed yesterday, November 28, in support of Beats Electronics, LLC’s Petition for Review in *Jibe Audio, LLC v. Beats Electronics, LLC*, Washington Legal Foundation encouraged the California Supreme Court to grant review and revise California’s version of the parol evidence rule as that court outlined it in *Pacific Gas & Electric Co. v. G.W. Thomas Drayage & Rigging Co.*

The case involves a royalty dispute originating with Jibe Audio LLC, which claims it came up with the concept and design of the headphones that launched Dr. Dre’s Beats success. Beats and the other signatory to the underlying royalty agreement agree that royalties only extend to the original style of Beats headphones—not the entire product line. The trial court agreed, but in September 2016, a California court of appeal reversed that ruling after allowing for the consideration of extrinsic evidence from a person who was not a signatory to the royalty agreement. This decision warrants review because it perpetuates the troubling version of the parol evidence rule espoused in *Pacific Gas* and conflicts with well-established understandings of when extrinsic evidence may interfere with the parties’ joint understanding of a contract.

WLF has appeared frequently in the California Supreme Court in cases relevant to its free-enterprise mission, and this case presents an excellent vehicle for addressing confusion among the state courts of appeal in light of the ambiguity *Pacific Gas* has created for the business community.

After filing its brief, WLF issued the following statement by Chief Counsel Richard Samp: “It is well established nearly everywhere else that extrinsic evidence may not be introduced to alter the meaning of a binding, integrated contract between two parties. By not excluding such evidence outright, California’s conception of the parol evidence rule creates uncertainty for people and businesses engaging in commercial transactions. Allowing this rule to persist will just allow the mass exodus of business from California—and the deleterious effects on the state’s economy—to continue.”

WLF is the nation’s premier public-interest law firm and policy center that advocates for free-market principles, a limited and accountable government, individual and business civil liberties, and the rule of law.

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