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Poll: Gundlach, DoubleLine the Real Winners

By Danielle Sottosanti September 21, 2011

The dust has not yet settled on the **DoubleLine Capital–TCW Group** lawsuits, but a majority of *Ignites* poll respondents name Jeffrey Gundlach and DoubleLine Capital as the apparent victor in the whole mess.

Still, both sides are reading the jury’s verdict as a win while awaiting the judge’s decision on damages regarding TCW’s claim of misappropriated trade secrets.

The lawsuits, which ended in a split verdict, involved TCW’s suing Gundlach and three other defendants for allegedly stealing trade secrets with which to open rival asset management firm DoubleLine Capital. Gundlach counterclaimed for breach of his employment contract, seeking hundreds of millions of dollars.

Roughly 57%, or 134 respondents, say that Gundlach and DoubleLine Capital emerged as the real winners in the six-week trial and 21-month-long battle spurred by Gundlach’s December 2009 firing from TCW and subsequent formation of DoubleLine. Indeed, that was the most popular response in a recent *Ignites* poll that asked who truly won the dispute.

Meanwhile, 27%, or 64 respondents, say both sides ultimately lost, ranking that response second in the poll. About 10%, or 24 respondents, view TCW Group as the victor. Lastly, 6%, or 13 respondents, say both sides won, which was the least popular response.

The poll’s results come on the heels of a Los Angeles County Superior Court verdict that found Gundlach breached his fiduciary duty and misappropriated trade secrets but without malice, as reported. No compensation was awarded to TCW for the fiduciary duty breach, but the judge will decide on the damages that should be paid to TCW for the trade-secrets claim. Meanwhile, the jury also ruled that TCW must pay \$66.7 million to Gundlach and three other co-defendants for failure to pay wages owed them.

Both sides of the lawsuit have responded favorably to the jury’s decision, which came down on Friday.

TCW sent *Ignites* the following statement from general counsel Michael Cahill: “We are gratified by the jury’s verdict, which speaks directly to the principles at the heart of this case — integrity, honesty and trust. The jury found that each of the defendants violated these principles — that each one of them breached their fiduciary duties and stole trade secrets and that Jeffrey Gundlach wrongfully and intentionally interfered with TCW’s business.

“Trade secret damages to TCW will be determined in a separate proceeding. The jury has made it clear that the principles of integrity, honesty and trust count.”

DoubleLine Capital also sent *Ignites* a statement from its attorney, Brad Brian of **Munger, Tolles & Olson**. The statement reads, “We are very pleased that the jury agreed with us that neither Jeffrey Gundlach nor any of our

clients did anything that resulted in monetary harm to TCW. We're also pleased that they awarded our clients the wages that were owed to them. We appreciate the hard work by the jury, the judge, and the judge's staff."

Niels Holch, executive director of the **Coalition of Mutual Fund Investors**, says it is premature to declare winners and losers until the judge's decision regarding damages for TCW's trade-secrets claim is resolved.

TCW will ask the judge to award it \$89 million, according to a [Bloomberg report](#). If granted, that would exceed the \$66.7 million that the jury decided TCW owes Gundlach and three other co-defendants for unpaid wages.

When asked about the jury verdict's impact on DoubleLine's growth, DoubleLine Funds president Ron Redell responded via e-mail, "DoubleLine already is the fastest-growing mutual fund start-up in the last quarter century. We will continue to expand our product offerings in mutual funds and active ETFs. The verdict I believe will enable more rapid growth in sub-advisory and separate-account mandates, both in the United States and internationally. We have been humbled by the support of so many individuals and institutions, and we will continue to work hard to merit their trust as stewards of their capital."

Though the DoubleLine Capital-TCW Group dispute has captivated many in the fund industry, Holch says the case does not set a precedent.

"I don't think there are any broader implications for the mutual fund industry, as this case has a unique set of facts. It's very unique," he says.

As of 3 p.m. Tuesday, 235 *Ignites* readers had participated in the survey.

The poll is an unscientific sampling of *Ignites* subscribers. Participants voted only once and were self-selected. *Ignites*'s audience consists of money managers, service providers and financial advisors.



Who Won the Gundlach-TCW Smackdown?

Jeffrey Gundlach and the TCW Group are both claiming victory following a courtroom verdict last week that found that Gundlach misappropriated trade secrets (but without malice) while it also awarded \$66.7 million to the bond portfolio manager and three other co-defendants in wages owed to them prior to their 2009 departure from the firm. Who is the real winner in the Gundlach verdict?

10% TCW Group



57% Gundlach and DoubleLine Capital



27% Both sides ultimately lost



6% Both sides won



0% 10% 20% 30% 40% 50% 60%

Total Votes: 235

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