

# LITIGATORS CORNER: When Should You “Beat Up” Your Client?



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I used to be pretty deferential to all my clients. After all, I figured, it was the client's case, not mine. It was therefore his right, with my recommendations in mind, to make informed decisions about whether to settle, and on what terms. But I've learned that sometimes you have to “beat up” your client. I am not talking about refusing to do things that a client wants you to do, which you believe to be unethical. Rather, I am talking about instances when your client wants to do something that is stupid.

Very often, when a client asks you to do something that doesn't make sense, his judgment may be flawed. In order to understand his point of view, it helps to first put yourself in the inventor's shoes, or perhaps more accurately, in his basement workshop. His faulty decisions may stem from your client's experience, first with inventing and then developing and attempting to market his invention. Many of the inventors we have represented toiled for years after conceiving of their inventions to make practical, usable products. They were on their own for the most part; no one offered them funds or assistance of any kind. I have seen

the successful results of their toil many times, but there have been many more failures than successes. Products that have resulted from some of our clients' successes include television remote controls that enable the ordinary person to make sense out of hundreds of cable or satellite television channels; computerized controls that automate a factory, reducing the cost of products; and catheters that save people's lives. Other clients have invented hand cycles that allow paraplegics to engage in useful and enjoyable athletic activity; new ways of using the internet; and ways to model a semiconductor factory, to increase efficiency and reduce the cost of integrated circuits and microprocessors.

Like Chester Carlson, the inventor of xerography, many inventors toil alone. They may not be as famous as Carlson, who invented a xerography machine in 1938, but didn't sell a product for another sixteen years. But their experience is often similar: devotion to an idea, and the grit to make it work. Their only funding is usually what comes out of their own pockets, because they have no believers. They believe in the American Dream. Then these inventors do the right thing: they seek a patent. That takes more years, and more money. Often, they must write the application themselves, and prosecute it themselves. That's a bit scary. How many of you lawyers have written your own wills? Even lawyers go to other lawyers for help outside of their specialties. But the typical individual inventor cannot afford this luxury.

Then these inventor-entrepreneurs try to license their inventions. Many run into a wall — brick, probably with coiled razor wire on top. If they do get a response, it is usually a form letter — a yawn on paper. Then they see someone, often a large company, using their ideas. Maybe it is the same company they sent their patent to, and tried to negotiate with. If the individual inventor is lucky, he can find a lawyer to represent him. A lawsuit gets filed. Out come the brass knuckles. The inventor-plaintiff is told by the infringer that his invention is no good, that it is old, that it

was easy to think of. To ice the cake, he's usually told that he's a liar or cheat because of the way he handled his patent application. He sees the incredible word-smithing and hindsighting that go on in the average patent lawsuit, where lawyers squabble over everyday words like “round,” and “gap,” and “substantial.” No wonder these inventor-clients feel that they've been badly treated — trade secrets stolen, inventions that took years of work infringed by companies that treat their complaints with disdain, followed by endless, punishing litigation in front of courts that seem not to care.

Now, imagine how they feel when told by their lawyer that it is a good idea to settle their case, and for less than their damage claim, to boot. It is tough to be impartial and business-like under such circumstances. The first mistake they make is to place a value on their invention that represents their estimate of what the invention is worth, but which fails to take into account what the defendant may think of it. To individual inventors, their invention is their life's work, their crowning achievement. They can too easily jump to the conclusion that the invention is a gold mine, where the ore has already been extracted so there is no need to dig, and there is no danger of a cave-in. But the typical licensee or defendant probably believes that it is getting nothing from the plaintiff, except permission to do what it has already been doing — sometimes for years.

We represented a client for whom we tried to negotiate licenses before filing any suits. I asked our client what he believed he should recover for his invention. He answered that he wanted more than ten million dollars. I was astonished. I told him that, without a lawsuit, he would be fortunate to license his patents for several hundred thousand dollars. He was thinking of the gold mine, not paying attention to how a licensee would view the worth of his invention. Our client was in the clouds. I should never have taken him on without a thorough discussion of the financial goals beforehand. We parted ways.

Many inventors engage in litigation, thinking it will bring them personal vindication, and that the world will finally know that they were the true originators of a great concept. To one who feels wronged, vindication is a powerful salve. They are convinced they cannot lose, because their invention is so novel, and so good. But to

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use litigation to this end is a grave mistake. They often do not assess the risks of litigation realistically. They figure any mistake can be cured by an appeal to some judge who surely will right any error that has been made by the jury, or by the first judge. They believe that, through a lawsuit, they are going to right the injustice they have suffered. They don't want to settle at all. If they do engage in settlement negotiations, they want to argue the merits, and get the defendant to "confess" — like the last five minutes of *Perry Mason* or *CSI*. For some crazy reason, some defendants want to argue the merits of their invention, too. This is pointless, and a waste of valuable settlement time. And besides, that isn't what a lawsuit is for. A patent lawsuit does its job if the plaintiff recovers a reasonable return on his investment.

I sometimes use an example to help clients see the risk of litigation, and to help them understand that the point of any investment is a reasonable return, not a windfall — or revenge. I tell them to imagine that, instead of getting a patent, they had taken their savings and used them to buy an apartment building for, say,

\$250,000. Now, five years later, they can sell the building for \$500,000. That is a great rate of return, about fourteen percent per year. I remember a relative explaining to my father-in-law, who is an astute businessman, that he sold a building at a nice profit, but wished he had held on because he could have made more. To that, my father-in-law replied, "You can't get hurt taking a profit."

Then I give them the downside, the risk. Imagine, I say, that you have a building that has doubled in value, and you have a buyer. You learn, to your dismay, that there's a crazy guy who's been living in the basement for the past three months. He has matches and gasoline, and your fire insurance lapsed two weeks ago. That, I tell them, is what a claim construction hearing is when it turns out badly for the plaintiff. The investment is destroyed.

Some clients think that a patent lawsuit should turn back the clock, so the market is exactly what it was before anyone began infringing. Or they let their emotions control them, and they make the dispute personal. In one of our cases, the client would not settle with his adversary, even though he had

licensed other companies for royalties of seven percent or so. He wanted this particular competitor driven out of the business. The two companies had once had a business relationship, which gave the defendant the defense that one of its employees was an inventor of our client's patents, thus giving it both an infringement defense, and an inequitable conduct claim. We urged our client to settle at rates similar to those offered to others. He refused. He made this case a personal issue — a huge mistake of judgment. He let his dislike for his former business partner cloud his judgment, and tried to turn back the clock as well.

So the client who wants vindication, or who over-values his property, or who thinks that a suit can turn the clock back is a client who needs a bite of a reality sandwich. Don't hesitate to advise your client when his thinking is wrong. True, some of them have been badly treated. But they must also realize that a settlement is a just result, too, and one that provides immediate and certain redress for the wrong. They cannot seek vindication, and must evaluate the case as any investor would value property. **IPT**