

LITIGATORS CORNER:

How to Recognize the Lousy Contingent Fee Case



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As many of you know, our firm does a great deal of work on a contingent fee basis. These cases can be extremely rewarding and exciting, since the verdicts are often sizable and we, as the attorneys, get a percentage of the winnings. But these cases will only be worthwhile if you know how to choose the "perfect," or "winnable" case. (See my IP Today columns: November, 1998, *How to Recognize the "Perfect" (i.e., "Winnable") Contingent Fee Case*; and May, 1999, *A Contingent Fee Victory*). It has recently occurred to me that it is equally important to know how to recognize a lousy contingent fee case, so you won't put in hours of work, only to earn absolutely no money.

What makes a bad contingent fee case? What kinds of cases should you reject? It's true that after you get stuck with a couple you don't like, you'll figure it out on your own. But perhaps I can save you heartburn

and wasted time by giving you the benefit of some of our experiences, so you won't have to learn how to recognize the lousy cases by trying them.

For example, we have been asked to take some cases involving aviation-related inventions. Because I am a pilot, these cases intrigue me. In most instances, however, we have had to turn them down. As I look back, at least two factors stand out in our decisions. First, the patents that we considered enforcing had only a few claims, with only one or two independent claims. One patent required that there be a computer screen mounted on a bar between the two control yokes in the cockpit of the airplane. I knew immediately that we would be fighting an uphill, if not impossible, battle to prove infringement of a claim like this, even with a burden of proof that is only a preponderance — that is, more likely than not. My own knowledge of aircraft was enough to persuade me that this patent had little chance of being successfully enforced. There aren't any aircraft configured this way, to my knowledge, and the prospective client's information was vague. The claim was just unrealistic.

It seems obvious that an attorney who is considering taking a contingent fee case would take a close look at the claims. For example, in one of our non-aviation cases, the claims required a series of razor blades in a razor, with each blade a different length. A review of the claim enabled me to see what could easily become (later on at trial) a straightforward defense of non-infringement. But apparently not all attorneys look at the claims. I was told by one client that I was the first attorney (he had interviewed several) who had actually read the claim and discussed it with him. While some inventors are quite knowledgeable about what constitutes infringement, others believe that someone infringes by using the "idea" or "gist" of the invention, or something that is depicted only in a drawing. A good attorney must be there to guide clients.

That leads to my first recommendation: Read the claim. If it appears weak, or if there are only one or two independent claims, be wary. At the very least, you will have to do some more homework, such as

figuring out whether there is a chance for a reissue in order to get more and broader claims. Or perhaps a continuation or divisional application is pending that would allow more claims to be sought. Another avenue is to take a closer look at infringement under the doctrine of equivalents. For the moment, however, you have to make that decision in light of the Federal Circuit's decision in the *Festo* case, which the Supreme Court has been asked to review. (See my May, 2001 column, *Does Festo Change Patent Prosecution?*)

I do not mean to say that you must have an iron-clad case, in order for it to be "winnable." Some infringers seem to think that a complaint cannot be brought without evidence that is of such a quality that discovery isn't necessary. In one of our cases on behalf of a physician, we were negotiating with a medical products company, and made a settlement proposal. The company responded by suing our client, seeking a declaratory judgment that his patents were no good and were not infringed. We filed compulsory counterclaims for infringement of the same patents. The medical company moved for sanctions under Rule 11, because our client had not rolled over, and had denied the allegations of the declaratory judgment claims. The medical company's position was laughable. You do not need ironclad evidence.

Another factor that surfaces with some regularity is whether anyone is engaging in regular and established infringement. In another aviation-related case, we were presented with a patent that pertained to aircraft navigation and collision avoidance. In yet another, the development was about assisting an aircraft in avoiding turbulent air. In the first case, the actual use of the technology did not appear to have gone beyond the experimental stage. In the second, the use of instruments to avoid air turbulence was being contemplated at the time with, at best, very limited use in a few test aircraft. These might be great contingent cases later on, but they were not feasible contingent fee cases at the time we looked at them. The point of a contingent fee case is to collect damages, whether in the form of royalties or lost profits. A contingent fee case where the infringer has not infringed on a wide scale is a case that has no potential for past damages.

That leaves damages for future infringement, or an injunction, as the only remedies. We all know that preliminary injunctions are not easy to get in patent cases, because there must be no good challenge to the validity of the patent, or the



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patentee must produce enough evidence to persuade a judge that it is likely that the infringer will not be able to invalidate the patent at a later trial after discovery. The patentee cannot just rely on the presumption of validity. There are circumstances justifying taking such cases where, for example, the infringer is committed to using the technology, or it is clear that the technology is being (or will be) adopted by an industry in the immediate future. Assuming the patent has a reasonable number of years to run, there will be a royalty stream that can be paid over time or discounted to a present value and paid as a lump sum. Again, however, caution is warranted when there are no past damages.

A third factor in turning down a case is the client. Some contingent fee clients are wonderful, and helping them provides us with tremendous satisfaction. Last year, three of my partners, Ray Niro, John Janka, and Chris Lee, tried a case in which they obtained a jury verdict for an inventor who was deposed on his death-bed, and who died shortly before the trial. He, like many of our other inventor-clients, was a mainstay. Anyone who says that patent cases are dry and dull hasn't tried one on behalf of an individual inventor or a small company.

But some contingent fee clients expect you to do all the work, including obtaining their patents and figuring out why their patent was infringed. Try not to work with such clients. A contingent fee case with an uninterested, uninvolved client is not necessarily doomed, but it will be much more difficult to litigate, and the disbursements (which you may be advancing) will be much higher. Some contingent fee clients

don't want to make any financial contribution at all. One of our best clients was an inventor who paid us \$100 every month like clockwork. In addition, she sent a lovely note with every payment. It isn't a reach to say that those of us who worked with her were dedicated. (By the way, her case turned out extremely well.) In another case, my client offered to pay a very small retainer, then said he couldn't pay it, then negotiated it down, then said he couldn't pay that amount either. He had the money, but was spending it on other business needs. I told him his heart wasn't in the case. We withdrew from the case, which was not easy.

Other contingent fee clients are not worth taking for other reasons. I lost interest in one case a number of years ago as soon as one of the two clients asked me if I minded if he recorded what I said. That was the end of that. This isn't as rare an occurrence as you might imagine; we have had two such cases. And there are people who are just plain cranky; they get mad because you aren't moving fast enough, or they are rude to the people in your office. I won't work with those people either; life is too short and the cases too hard to tolerate that kind of nonsense.

If you do decide to turn a prospective client down, do it gently and carefully, but give the prospective client the "straight dope," as Cecil Adams (www.straight-dope.com) would say. My practice is also to tell such prospective clients that they should feel free to seek a second review, because another attorney might see something I overlooked, or might know something I don't know, or might perceive

something I did not. We have learned that reviewing contingent fee cases is highly subjective, and different people can have different views. This is particularly true where the patent and related facts are being considered for the first time.

I keep my opinions short, too. It isn't right to give a person a lengthy written opinion on why his or her prospective case is not something you want to work on. It isn't fair for a patent owner to be haunted by some lengthy, but mistaken, opinion written by an attorney who was not completely familiar with the issues. One of the favorite habits of litigators is to judge things in hindsight. Don't saddle an inventor with this problem because you spent a few minutes looking at his case and decided you didn't like it.

Be as kind as you can. Remember that many inventors have spent years on their ideas, and perhaps thousands of dollars getting a patent application filed and prosecuted to issuance. Having someone say the patent doesn't justify a lawsuit is a hard thing to hear.

Litigating contingent fee cases can be very rewarding. So don't be afraid to take a risk, but think about what you are doing. Are there past damages? Do you have a plausible literal infringement case or a decent position under the doctrine of equivalents in light of *Festo*? Is the inventor someone who will help you and support your efforts in every way possible? Is he or she someone you would like to work with? These aren't all of the guidelines, but they are some of the ones my partners and I have found most helpful. **IPT**