SAN FRANCISCO BAY AREA INTELLECTUAL PROPERTY
AMERICAN INN OF COURT

January 2008 Meeting Announcement:

Getting In, Getting Out, and Getting Paid… <u>Without</u> Getting Sued

January's presentation focuses on fee agreements and related problems. What can happen when there is no written agreement, or a badly-drafted agreement, such as one that is invalid for failure to meet ethical or statutory requirements? What can happen when a client can no longer pay hourly fees and demands that the lawyer continue the representation on a contingency basis? What can happen if the lawyer, rather than the client, wants to change the terms? The program will explore these and related issues using a mock scenario, presented through the lens of both recent and old case law.

Panelists:	**Hung Chang**	*PlayFirst*
	Christopher Kao	*Howard Rice*
	Tara Kaushik	*Manatt Phelps & Phillips*
	Heather Mewes	*Fenwick & West*
	Mark L. Pettinari	*Law Office of Mark Pettinari*
	Gillian Thackray	*Gillian Thackray*
	Paul W. Vapnek	*Townsend & Townsend & Crew*

Time and Location: January 16, 2008 at 6:00pm
Townsend & Townsend & Crew
Two Embarcadero Center, Eighth Floor, San Francisco
415.576.0200

Dinner to Follow at: Sens Restaurant
Four Embarcadero Center, Promenade Level, San Francisco
415.362.0645

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January 2008 Meeting Fact Pattern:

Getting In, Getting Out, and Getting Paid… Without Getting Sued

After you've completed your conflict checks, the CEO and CFO of ABC Corporation visit you and present a very strong case for patent infringement against XYZ Corporation. XYZ Corporation, an arch-rival of ABC Corporation has recently emerged in the marketplace selling widgets with each and every element of at least one of the independent claims of the patent owned by ABC Corporation. The case is strong on liability and while damages are at this juncture unknown, both companies manufacture the widgets in the United States and distribute and sell their respective widgets throughout the United States.

You explain to the client that fees and costs of patent litigation can be quite high and they understand. The client agrees to pay your full hourly rates and cover all reasonable expenses incurred in the litigation. In addition, they write a check for $100,000 as an advance payment on their account. Do you need a written fee agreement and, if so, what terms should it include?

You file the patent infringement action in the Northern District of California. The litigation proceeds in a typical fashion – slower than expected. The client has paid all invoices promptly and without any dispute concerning either the time entries or expenses that have been incurred. Discovery is underway and while there have been some motions things have settled down and the parties are engaged in taking depositions. Some depositions have been taken, but the vast majority of the deposition schedule is scheduled to occur in the final two months before the close of fact discovery. On the eve of this rigorous deposition schedule, the CEO and CFO of ABC Corporation telephone you to advise that they are sending you payment for the total amount of your last invoice. They go on to add that there has been a serious downturn in the company's financial condition and they can no longer continue to pay for the litigation. The client suggests that you continue to represent them in the litigation but on a pure contingency fee basis with your firm getting 90% of any recovery and also agreeing to cover all expenses.

Throughout the litigation neither party has uncovered any invalidating prior art. There are no non-infringing substitutes and both parties are continuing to be the only sellers of the widget. In addition, there is strong evidence of willful infringement as XYZ Corporation turned down the opportunity to take a non-exclusive license more than a year before it began to sell the allegedly infringing widget. Damage discovery has yet to be completed, but you do have sales documentation as of the end of the last quarter, it looks like XYZ Corporation has sold $5 million worth of infringing product. On a lost profits basis, damages look to be approximately $2-3 million. You expect that you will incur approximately $750,000 in fees and expenses to conclude discovery and complete a two week trial.

Can you convert the representation to a contingency arrangement with the firm recovering 90% of any recovery and incurring all expenses going forward? Do you need a written contingency fee agreement, and, if so, what terms should such an agreement include?