

Open for Business

Yes, some smaller specialty shops have closed their doors in recent years. But others remain very much alive.

BY VICTOR LI

In *The Pearl*, John Steinbeck highlights the dangers of wealth and status through the story of Kino, a poor man content with his simple life who finds a large pearl and allows the precious stone to destroy his family and turn him against his fellow villagers.

Given the story's theme, it may have been apt that when Penguin Group, Inc., needed to defend its copyright on the book against a bid by Steinbeck's son and granddaughter to terminate that copyright, the publisher didn't think big, tapping Cowan, Leibowitz & Latman, a 51-lawyer New York intellectual property boutique instead of a large, full-service firm. It didn't hurt that Cowan partner Richard Dannay—perhaps best known for defending Michael Crichton in a 1996 copyright infringement case connected to his book *Jurassic Park*—had represented Penguin in previous copyright litigation over such Steinbeck works as *Of Mice and Men* and *The Grapes of Wrath*. "Relationships are important," says Dannay, who won the case for Penguin on summary judgment in federal district court in Manhattan last December. "Anyone selecting a lawyer has to be comfortable with that lawyer, and that varies from firm to firm. One complaint I've heard is that larger firms sometimes overstaff cases with junior associates who aren't as experienced as the senior people."

While recent years have seen such IP boutiques as Morgan & Finnegan and Darby & Darby shut down amid recessionary pressures and big-firm talent raids [see "Not Just

ILLUSTRATIONS BY DEAN GORISSEN

Another Dead IP Boutique,” page 11], the specialty shops that remain have a message for current, and potential, clients: We’re not dead yet. In addition to touting their close client relationships, lawyers at these firms also cite their expertise and, not incidentally, their lower cost as factors that make them competitive with larger firms. “The rates at a boutique are lower,” says John Margiotta, a litigation partner at New York’s Fross Zelnick Lehrman & Zissu. “At our firm our advice is faster and at a better price.”

Dannay and Margiotta are just two lawyers who remain bullish on the boutique model. Below are three examples of others tilling the same soil—and producing significant results in cases that range from an independent contractor’s patent infringement claim against a huge corporation to a defense of a talk show titan’s trademark phrase to a high-stakes trade secrets dispute.

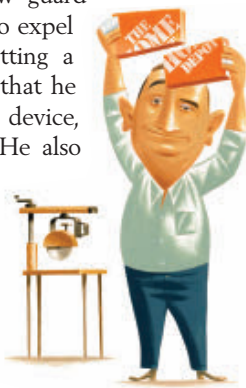
The Cutting Edge

Michael Powell worked for The Home Depot, Inc., as an independent contractor for 18 years, flying to various stores to fix and maintain saws. In May 2004 Home Depot asked Powell to fix a big problem it had with one of its radial-arm saws: Employees were slicing off their fingers while cutting wood for customers.

Powell, 52, made a special safety device and installed it on eight saws at a Florida store. Because he felt uneasy about leaving his creation—a saw guard combined with a vacuum pump to expel sawdust—in the store before getting a patent, he told company officials that he intended to get a patent on the device, which he dubbed “Safe Hands.” He also wrote “patent pending” on each of the prototypes and completed a patent application.

A few months after coming up with Safe Hands, Powell learned that Home Depot had begun to sell saws fitted with a version of his safety device that had been copied and produced by another company. In 2007 he decided to file a lawsuit against Home Depot for patent infringement.

Home Depot tapped Shook, Hardy & Bacon to handle the suit, while Powell hired Peter Herman, a litigation partner with the Fort Lauderdale firm Tripp Scott, who took the case on contingency. Herman, in turn, brought in Gregory Mayback, a name partner at Mayback & Hoffman, a Fort Lauderdale IP boutique with just four lawyers, to serve as patent counsel.



“We had four attorneys and two paralegals that were able to help on this case, and this was a case that could have been staffed by a lot more,” says Mayback, who was mostly assisted by Cathy Hoffman, the other name partner at the firm, and Scott Smiley, one of the firm’s two associates.

Mayback says that he and his colleagues were driven by a belief that Powell had gotten a raw deal from Home Depot and that he had a strong case for patent infringement.

Despite how seriously Powell’s lawyers were taking the case—and how much time they spent preparing—Mayback says he felt his Shook, Hardy adversaries underestimated him and his colleagues: “I felt like they were dismissive of us, but not in a way like we were ants and they were going to crush us. When you have such a big defense team, you run the risk of looking at these tiny firms and saying that there’s no way they can find the answers that would be sufficient, and there’s no way they could put the time in to respond to everything we hit them with. Unless you do what we did, and put in sleepless nights over and over.”

Those sleepless nights paid off, even as Home Depot’s lawyers buried Mayback’s team in paperwork in the form of discovery motions and requests. In fact, Mayback says, the avalanche of documents probably opened the door to Powell’s ultimate victory: an \$18 million jury verdict following a 14-day trial in February—a sum that grew to approximately \$24 million once prejudgment interest and attorneys’ fees were added.

Even worse for Home Depot than the jury award—a relative blip on the balance sheet for such a huge company—was the assessment of federal district court judge Daniel Hurley. And it was something that turned up in discovery—a photo of a Home Depot employee examining one of Powell’s prototypes with a tape measure while taking notes—that provoked Hurley’s ire.

“How much clearer could it be?” Hurley asked during a posttrial hearing on whether the interest and legal fees should be added to Powell’s award. “Did they make some changes in the device? Sure they did. Are they significant or serious changes? No, they are not. You know, it is sad to say, but Home Depot literally organized the theft of the Powell invention. That is what they did. Big, wealthy Home Depot just blew off Michael Powell.”

Hurley, who labeled the case an example of “corporate theft and corporate bullying” and referred to Home Depot’s tactics as “underhanded,” also had harsh words for the defense attorneys’ tactics: “This is the kind of activity that people look at and that engenders an outright disgust for the practice of law, because high-priced law firms simply generate a windstorm of paper and hand it to the other side, and it has nothing to do with the litigation. It is indefensible, it is shameful, truly shameful.”

Both Mayback and his client, Powell, were thrilled with the results. Chalk one up for the little guys.

PEOPLE WHO MAKE GREAT COMPANIES WORK



Jennifer Diaz is the heart behind Puget Sound Energy's Wild Horse Wind and Solar Facility. As the environmental manager at the renewable energy facility, she ensures that Wild Horse's energy production has minimal impact on the environment and balances the myriad needs of PSE's stakeholders – from customers, land owners and investors to the deer and elk that roam the 12,000 acres of rangeland upon which the facility sits. "Responsible energy production and environmental stewardship are core values at PSE," says Diaz. "We are working to do what's right, and because of that, I love my job."

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“Here’s Johnny!”

Long before Jay, Dave, and Conan clashed over the coveted *Tonight Show* hosting job, Johnny Carson ruled the 11:30 P.M. time slot with an iron golf swing. Along the way, Carson established himself in the public consciousness as the reassuring, friendly, and warm face that cheered you up after a long day and tucked you in for the night. And for 30 years, all of that started with Ed McMahon’s famous intro: “Here’s Johnny!”

Earl Braxton’s desire to call his portable toilet company “Here’s Johnny” has now lasted longer than Carson’s *Tonight Show* reign. In a case that any lawyer who took “Intro to IP” knows, Carson sued Here’s Johnny Portable Toilets in 1976 and won at the U.S. Court of Appeals for the Sixth Circuit in 1983. That landmark decision, which expanded publicity rights, found that Carson had “a protected pecuniary interest in the commercial exploitation of his identity,” and enjoined Braxton from using the catchphrase to market his toilets.

But Braxton didn’t quit. He tried to trademark “Here’s Johnny” for his new company, Toilets.com, upon Carson’s death in 2005. The Carson estate called in its lawyer from the original case: Robert Newbury of Chicago-based boutique Pattishall, McAuliffe, Newbury, Hillard & Geraldson.

Founded in 1883, Pattishall, McAuliffe is a somewhat different creature from Mayback & Hoffman. In fact, the firm is unlike most IP boutiques in that it does minimal patent work. “That was decided by the people who founded the firm in the 1800s,” says Newbury. “Edward S. Rogers was one of the original leaders of the trademark bar and helped draft the Lanham Act. After him, Pattishall took up the cause in the mid-1940s and continued on.”

The firm has 25 trademark, copyright, and unfair competition lawyers. “It’s not correct that we’re small,” says partner Jonathan Jennings. “In our field, we actually bring more resources to the table than most other firms. Other firms might have to borrow people from other departments, but we don’t have to. We also have a real breadth of experience here.” Jennings says the firm is willing to find common ground with clients, especially when it comes to fees: “We find that we can be fairly nimble as far as meeting clients’ needs regarding flexible fee arrangements. We can do that very well, and that’s one of the things everyone has an interest in doing.”

Like the Carson estate, for instance. Newbury says he first got involved with Carson through the talk show host’s clothing company, Johnny Carson Apparel, which was owned at the time by what is



now Hartmarx Corporation, a longtime client. “[Carson] was one of the quickest studies I’ve ever seen in my life. You could talk to him about the case for 30 seconds, and he would understand immediately,” recalls Newbury, who has also represented The Walt Disney Co., Lucent Technologies Inc., and AT&T Inc.

When the latest “Here’s Johnny” case went before the Patent and Trademark Office’s Trademark Trial and Appeal Board in April, Newbury and his team, which included Pattishall, McAuliffe partners Jennings and Phillip Barenholts, earned a resounding win. The appeal board held that Braxton could not register “Here’s Johnny,” and that, even in death, Carson had a right to publicity. “While John W. Carson brought the prior civil action and board proceeding in his individual capacity while he was alive, his right to publicity survived his death. Indeed, the jurisdiction of the court which issued the permanent injunction and where applicant’s business is located [Michigan] recognizes a common law postmortem right to publicity,” the TTAB held. “Moreover, the jurisdiction where Mr. Carson lived at the time of his death, i.e., the state of California, has a statutory postmortem right of publicity.”

Newbury sums it up more succinctly: “As long as it’s associated with Carson, then he’ll have a right to it. You talk to anyone and ask them what they think of when you say, ‘Here’s Johnny,’ and they’ll think of Carson.” In other words, future attempts to link the phrase to plumbing fixtures are likely to get flushed the same way.

A Great Wall

When you think of trade secrets, perhaps what pops into your head is the secret formula for Coca-Cola, or maybe your mind flashes to the source code for Microsoft Windows or some other high-tech innovation. You probably don’t think about wallboard.

But that’s what was at stake for H. Michael Hartmann, a partner at Chicago-based IP boutique Leydig, Voit & Mayer, when his client, United States Gypsum Company, sued Lafarge North America, Inc., for misappropriation of trade secrets and patent infringement.

“My client is the leader in the manufacture of wallboard. They’re the leader in technology when it comes to making gypsum wallboard, and that’s been true for over 100 years,” Hartmann says. “There’s chemistry involved here, since gypsum is not easy to deal with. It’s mined, but you can reshape it, and there’s a process and treatment for doing that. The technology is pretty complex, and the chemistry



needs to be controlled in the factory. It's a very sophisticated operation they run."

Once U.S. Gypsum decided that Lafarge had copied its formula, Hartmann says, it sued for patent infringement. Soon, though, Hartmann's client realized that a trade secrets claim also made sense. In its complaint, U.S. Gypsum claimed that Lafarge had copied its technique for creating foamed wallboards and had hired several former U.S. Gypsum employees who had been privy to company secrets.

In most trade secrets cases, the proper remedy is for the aggrieved party to enjoin the other so that the secret stays that way. "It's rare to get damages in a trade secrets case," says Hartmann, who, according to news reports, secured a \$105 million settlement on behalf of his client. "Damages became an issue when it's no longer about stopping the wrongful use, but compensating for wrongful use. Once a secret is out there, it doesn't do any good to get an injunction. You can't unring the bell."

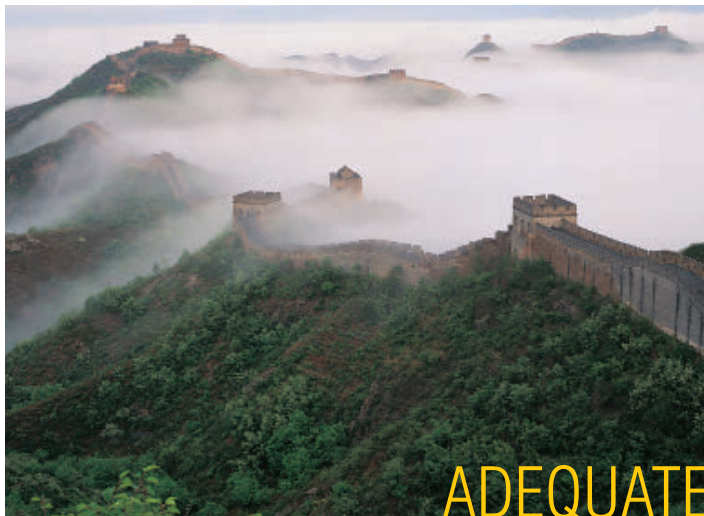
Hartmann says he believes he and his team had an edge over their adversaries from Jenner & Block and Sidley Austin. "The problems we had on the case were discovery-related, especially regarding the complexities of e-discovery and using the computer," he says. "The discovery issues were huge, and they dragged out. It took us a long, long time to

get to the material we thought we were entitled to. However, my people who worked on the case knew exactly what was going on with computers. They were all technically savvy people from engineering backgrounds who could see things a normal young associate would never see. That gave us a huge advantage, since many general practice firms aren't that technically savvy."

As in Mayback's case against Home Depot, Hartmann believes his well-financed opponents tried to bury him in paperwork. "That's standard in a trade secrets case," he says. "You have to try to win on summary judgment because in a trade secrets case, you don't want to go before a jury [as a defendant]. I think they realized we weren't going to give up, but I think they tried to overwhelm us."

Hartmann acknowledges that things might have gone differently for Leydig and his client if the firm had, say, 12 lawyers rather than the 80 it employs. Still, he says, once the case begins, the number of lawyers working on it is not the most important factor. "It always comes down to who are the lawyers working on the case," Hartmann says. "Do they have the technical background to see what is going on? Can they read between the lines and decode what is happening? That was never a problem for us."

Most IP boutique lawyers would say the same thing. ■



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