

# CORPORATE LEGAL TIMES

## 7 Ways to Cut Costs in Trademark and Trade Secret Cases

BY LAWRENCE R. LaSUSA

IT HAPPENS every day. A senior executive or employee leaves for the competition with valuable market strategies or ideas for new products. You discover a competitor selling a knockoff of your design. Here are seven ways to cut costs when litigating these crises.

**1 SELECT THE RIGHT LAWYER.** The keys to successful, cost-effective litigation are preparation and your plan of attack. Of course, who you pick to lead the charge dramatically impacts your outcome. If you are going to wage a litigation battle, use experienced in-house or outside *trial* lawyers, and plan your attack or defense before charging onto the battlefield.

Specialists in prosecuting and defending infringement claims will typically be more expensive on an hourly basis. However, their expertise usually results in reduced costs over the length of the litigation. This money is well-spent when weighed against what your company likely spent in research, development, production and marketing, or when weighed against the cost of an adverse judgment.

If you use outside counsel, choose experience and expertise over location. Phones, faxes and e-mail make the mileage between an attorney and client a lesser concern. Let these experts determine if you need local counsel when litigating out of town.

Word-of-mouth referrals from key players in your industry are a great starting place for

**Lawrence R. LaSusa is head of litigation for United Wisconsin Services Inc., the largest HMO and managed care provider in Wisconsin with more than \$1 billion in annual revenues. He has managed major multimillion-dollar litigation in corporate, law firm and government settings.**



### INTELLECTUAL PROPERTY

the lawyer selection process, but do not stop there. Use Internet resources and searches to double-check for common denominators among the names you receive. Check newspaper and journal articles, as well as jury verdict reporters, to determine who has recent success in prosecuting and defending trademark and trade secret infringement cases. Then host the beauty pageant and let the candidates show their wares. Trial experience with favorable verdicts or settlements based on similar issues in dispute are objective minimum requirements.

Other factors to consider are more subjective but equally important. Trust and confidence in your lawyer is the cornerstone to a good attorney-client relationship. A good working relationship is critical, especially when the going gets rough – and it always does in litigation.

**2 DO NOT REINVENT THE WHEEL.** If you have reoccurring infringement cases and if you did your homework right the first time, do not waste time and money repeating the process. Maintain a list of preferred or approved outside counsel. You save time and money on the learning curve by not having to educate new counsel on your industry, company business, company products, corporate culture, key players, competition or past trademark or trade secret cases.

By using preferred or approved outside counsel, you maximize your buying power. Vendors give discounts for volume, so should outside counsel. Negotiate alternative fee arrangements.

Bootstrap the non-repetition of the lawyer selection process into other areas of the litigation. If you had other trademark or trade secret cases, maintain brief banks containing past pleadings and legal research. Brief banks save time and money.

Take the brief bank concept a step further and apply it to the discovery process. Electronically scan discovery documents. Categorize and cull them for privileged and sensitive material.

Maintaining the discovery documents electronically saves time and money in the review and reproduction processes. Handing over a couple CD-ROMs each time you must produce discovery documents is far cheaper than culling, copying and shipping them manually each time.

On a cautionary note, lawyers, or at least agents of the law department or law firm, should compile the brief banks and perform the discovery production, to preserve attorney-client and attorney work-product privileges. Do not risk having the opposition assert the privileges were waived by disclosure to, or preparation by, individuals not covered by the privilege. Use a confirming memo or letter to deputize individuals outside the law department or law firm to work as agents of the same.

**3 DO PRE-LITIGATION COST-BENEFIT ANALYSIS.** A team of trial attorneys and business executives need to perform an early and accurate case analysis to determine the business and economic risks and rewards of litigating the infringement claims. Some issues this team should consider are:

- How important is the trademark or trade secret to your overall business strategy?;
- Do you want public disclosure of facts such as sales figures and customer lists?;
- What are the tangible and intangible values of the intellectual property?; and
- What is the potential for adverse publicity generated by litigation? Whether urban myth or not, consider the story of how McDonald's infringement action against a U.K. sandwich shop named McMunchies, raised sufficient ire to invoke Scottish Lord Godfrey MacDonald to come to the shop's defense.

Whether you are on the offensive or defensive, if litigation appears likely, this team needs to make an early and informed decision on how or whether to proceed with litigation.

This means forecasting the value and risk of litigating against the cost of litigating before you file a lawsuit or receive a summons and complaint.

The case analysis should cover the dollar value of the claims at issue; the probability of successfully litigating each claim, including any cross-claims or counter-claims, stated in percentage terms; the strategic plan for litigation or alternative dispute resolution; an estimated budget to execute the plan; and a recommended settlement value and strategy.

It's inexcusable for a trial lawyer to claim that litigation is too unpredictable to budget. Cutting-edge legal departments require their trial lawyers to prepare budgets using the Uniform Task-Based Management System developed by the American Bar Association and American Corporate Counsel Association. This is a set of number codes that break down litigation into phases, tasks within the phases and activities within the tasks.

If the trial lawyers, in-house and outside, consistently use the UTBMS code set, you can effectively comparison-shop apples to apples on past, present and future cases. For example, costs for planning, preparing and researching pleadings should be significantly less the second time around if you are using the same outside counsel on a similar case.

The early case analysis is only the beginning point. This risk and value analysis and cost analysis must be revisited by the trial attorney and business executive team at each critical stage of the litigation. Continuous reassessment prevents any unexpected increases in costs or levels of risk before a verdict. More importantly, continuous reassessment helps keep the litigation on track and goals in focus.

**4 OUTSOURCE SPECIFIC TASKS.** In intellectual property cases, just as any litigation, certain litigation-related tasks can be performed less expensively by outsourcing them. The discovery phase of litigation is ripe for outsourcing. Hire contract lawyers or paralegals to assist in discovery gathering, production and review. Once discoverable documents have been culled, use vendors that specialize in computerized or electronic document reproduction.

You can just as easily outsource other tasks as well. For example, legal research firms can prepare the research to support dispositive motions.

Just like your list of preferred or approved counsel, establish a preferred-provider rela-

tionship with outsourcing vendors and then maximize your buying power. If you are not up to managing the outsourced tasks, ask your outside counsel to use these less expensive services and bill you at cost.

**5 USE IN-HOUSE EXPERTS.** Expert witnesses significantly increase costs of litigation. In trademark cases, demonstrating likelihood of confusion among competing marks is key. The arguments usually rest on market studies, surveys and analyses. Commissioning outside experts to prepare studies and surveys is a time-consuming and expensive proposition.

Often the best expert is already employed by your company. They usually know the industry, company business, company products, corporate culture, key players and competition better than an outsider paid \$400 per hour. Using in-house experts saves time and money on the learning curve.

Do not be put off using in-house experts because they may appear biased or prejudiced. When it comes to attacking the credibility of the witness based on bias or prejudice, an expert whose testimony is bought and paid for carries just as much negative impact as the company employee.

There is another important reason for consulting in-house experts early on. Few employees stay with the company for extended periods. You are better off getting the internal expert analysis early on and having it committed to some form of statement or deposition testimony. Then, if the employee leaves the company and becomes forgetful or hostile, you can use an outside expert or the employee's prior statements to support your case.

**6 LITIGATE EARLY AND OFTEN.** Your company should develop a reputation for swiftly and aggressively defending and protecting its trademarks and trade secrets. This reputation may help deter claims and reduce your costs in the long run.

Most trademark and trade secret cases involve at least one cause of action in equity. Litigate early to avoid the equitable defense of laches. Laches is a doctrine based upon the maxim that equity aids the vigilant, not those who sleep on their rights.

If you do not move quickly, the infringing party can capitalize on any delay by asserting the laches defense and claiming they were unfairly hurt or prejudiced by the delay itself.

If successful, this defense can bar equitable

and injunctive relief, which could mean the infringement would be allowed to continue until final disposition of the case.

Consider filing petitions for temporary restraining orders and preliminary injunctions. However, realize that courts consider injunctions extraordinary relief and do not take issuing them lightly because, even though the injunctions are temporary, the final disposition of a case can take years.

The primary purpose of the injunction is to maintain the status quo. The longer you take to get to court and the longer you allow the infringement or violation of a trade secret to continue, the more it becomes the status quo. In turn, it becomes harder to convince a court that you need the injunction. Lists of approved counsel, prior case analyses and budgets, and brief banks help you move swiftly and streamline your pre-litigation processes.

Pick and choose your fights carefully, but do not be afraid to use the courts. Companies that aggressively protect their trademarks and trade secrets develop a reputation. Competitors and potential infringers are less likely to challenge a seasoned fighter with a good record.

**7 NEGOTIATE EARLY AND OFTEN.** Always consider alternative dispute resolution as part of your litigation strategy. Negotiations, through mediation, non-binding arbitration, or other alternative dispute resolution methods, provide excellent opportunities to develop business solutions to business problems.

Consider, for example Jose Ignacio Lopez de Arriortua, the GM executive who left the company for Volkswagen, allegedly taking trade secrets with him. GM sued and Volkswagen settled their dispute by VW paying GM \$100 million in cash and agreeing to purchase \$1 billion of GM parts over three years.

Handled properly, there is no stigma in who makes the first effort at settling. Negotiations provide valuable information about the strengths and weaknesses of your own and your opponent's case.

At minimum, your good faith efforts to resolve the matter outside court can make you appear to the court to be the reasonable party. This is a valuable attribute when dealing with courts that balance equities and determine outcomes of cases.