

## The Right Voice at The Right Time

### Focus on the Damages Case Early, With a *Kovel* Expert

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Despite the fact that sizable patent damage awards are becoming almost routine, a wait-and-see attitude toward damages remains all too common in patent litigation. Too often the outside damages expert is retained with only a week or two of fact discovery left. Even the best testifying expert cannot overcome poor or incomplete discovery. Unfortunately, the attention paid

to the development of the damages case often seems at odds with the value placed on the testimony of the damages expert.

Accurate assessment of potential damages at the onset of litigation is vital in allowing counsel and client to weigh the potential risks and benefits of the case. Clients today are very cost conscious and eager to see their problems handled in an efficient manner. These factors, together with increasingly expedited docket schedules (such as those enforced in the Eastern District of Virginia), argue for earlier and more focused attention on the development of the damages case. Enter the *Kovel* expert.

A *Kovel* expert is a nontestifying consultant to the attorney. The expert can be an employee of the law firm or someone from outside the firm hired specifically to assist counsel on a particular matter. For purposes of assessing damages in patent cases, *Kovel* experts are most often accountants or economists.

The term comes from a 1961 federal tax case: *United States v. Kovel*, 296 F.2d 918 (2d Cir. 1961), which sets forth the doctrine that an expert's communications to an attorney are protected under attorney-client privilege where the expert is retained to assist the attorney in rendering legal advice to the attorney's client. The privilege applies to nontestifying experts who serve in the limited capacity of consultants to the attorney.

In *Kovel*, Judge Henry Friendly of the U.S. Court of Appeals for the 2nd Circuit wrote that "[the] complexities of modern existence prevent attorneys from effectively handling clients' affairs without the help of others." Friendly went on to explain:

Accounting concepts are a foreign language to some lawyers in almost all cases, and to almost all lawyers in some cases. Hence the presence of an accountant, whether hired by the lawyer or by the client, while the client is relating a complicated tax story to the lawyer, ought not destroy the privilege. . . . [T]he presence of the accountant is necessary, or at least highly useful, for the effective consultation between the client and the lawyer which the privilege is designed to permit. . . . What is vital to the privilege is that the communication be made in confidence for the purpose of obtaining legal advice from the lawyer.



To paraphrase the judge, the use of a *Kovel* expert is not only beneficial, but in many cases necessary. Every case presents its own set of facts. To obtain the evidence necessary to prove or rebut a claim for damages, a practitioner must be familiar with both evidentiary requirements and corporate record keeping practices.

## NAVIGATING THE BOOKS

Every company's books and business records are different. Even Fortune 500 corporations can, and do, keep poor records when it comes to identifying specific product or product-line sales and profitability. Therefore, someone on the attorney's team needs to be familiar with how to navigate through financial documents and other business records.

Partners staffing a patent case should ask themselves several questions: Are associates, who are often tasked with handling discovery for damages questions, best qualified to assess the completeness of business records? Is it really cost-effective for the client to have to file multiple damage-related discovery requests, where fewer and better prepared requests could have achieved equal or better results in a more timely manner? What is the cost of a frustrated client whose daily operations are unduly interrupted in order to educate young associates not just about the client's business, but about basic financial record keeping?

The solution to these problems is a *Kovel* expert. Hiring a *Kovel* expert experienced in developing the damages case allows the attorney to focus on legal issues. It results in more complete and cost-effective discovery, because a qualified *Kovel* expert can help write narrower, more relevant discovery requests (and responses to such requests) and can offer expertise in identifying and reviewing damages-related documents. The use of a *Kovel* expert permits better case organization, more careful development of the facts and issues, and ultimately, more control over the testifying expert.

The fact that the *Kovel* expert's work product is nondiscoverable means that he is able to view "the good, the bad, and the ugly." A *Kovel* expert can assist in developing worst-case scenarios and in providing a

better sense of reality for settlement discussions. He can also assist in preparing for expert depositions, in forming rebuttal arguments, and in developing cross-examination strategies.

Because much of the benefit in using a *Kovel* expert depends on the attorney-client privilege extending to the expert's work product, the attorney must be careful in protecting that privilege. One important step is to draft a separate retainer agreement for the *Kovel* expert. This agreement should spell out the nature and scope of the assignment and specify that the expert is there to assist the attorney in providing legal advice to the client. The agreement should state that all communications are confidential and that the expert cannot disclose to anyone the nature or content of any information submitted to him. The agreement should also identify the attorney's unqualified right to possess and control all work papers, records, and other documents being held by the *Kovel* expert solely for the attorney's convenience. If the expert has performed prior non-*Kovel* services for the client, the attorney should also beware of additional limits on the attorney-client privilege under *United States v. Adlman*, 68 F.3d 1495 (2nd Cir. 1995).

For a *Kovel* expert to be valuable, he needs to have experience in patent damages litigation. Good *Kovel* experts often have testified as expert witnesses as well. They have an understanding of legal terminology and procedural issues, and experience in developing a case from discovery, through preparation, to trial testimony.

The *Kovel* expert can be a source in identifying testifying experts. Very often a *Kovel* expert will have working relationships with several potential expert witnesses.

Because a testifying expert's work is discoverable, a *Kovel* expert should never double as a testifying expert. The testifying expert's early, unlimited access to documents and records should also be carefully controlled. Instead, it should be the *Kovel* consultant who gives the attorney the benefit of early expert advice and allows the attorney to develop the case without the risk of exposing the testifying expert to too much.

Having a *Kovel* expert allows the attorney to supervise and control the testifying expert more effectively. Because much of

the preliminary discovery work has already begun before the testifying expert is brought in, many issues and potential problem areas have been identified. As a result, there can be a more focused exchange of data between the client and the testifying expert, and the testifying expert is better able to direct his efforts.

The work of the *Kovel* expert need not be duplicated by the testifying expert. The identification of key company personnel, information, and documents by the *Kovel* expert can be passed, through the attorney, to the testifying expert. Because testifying experts generally command a rate premium over other consultants, it is often more cost-effective to have the *Kovel* expert sift out the relevant documents and information than to have the testifying expert perform the same work. Using a *Kovel* expert is also less costly than having several of the testifying expert's less experienced staff perform the same work in a less efficient manner.

## NOT YET WIDESPREAD

While many practitioners hire *Kovel* experts today, their use is not widespread. Even firms with in-house accounting and economic specialists do not always turn to them as *Kovel* experts. Many practitioners are simply unaware of the benefits offered by such experts. They are accustomed to running cases as they always have before, which never involved bringing in consultants to assist them in preparing cases. Another explanation, offered by a practicing IP lawyer, is that patent attorneys who concentrate on technical questions may be less familiar with, and thus tend not to focus on, damages issues.

Changing an individual lawyer's or an entire practice group's litigation strategy can seem risky. But use of *Kovel* experts should not be considered an all or nothing decision. An attorney can experiment by hiring a *Kovel* expert for limited aspects of a case, such as discovery requests or document reviews. The attorney can then weigh the expert's usefulness and decide whether to expand his role.

Once they have been exposed to the use of *Kovel* experts, attorneys tend to become strong proponents of such experts on future cases. They realize that they have added a valuable new member to their litigation team. ■