Abstract
The defendant had obtained several patents before going insolvent. Its law firm, the plaintiff, sued for unpaid legal services and obtained default judgment against the defendant as well as a lien against its patent portfolio. A non-party secured creditor moved to reduce the lien amount and eliminate the lien from certain patents filed after it became a creditor. The court granted the motion, but did hold that the foreign patents filed with the USPTO were to be treated the same as domestic patents for the purposes of determining the scope of plaintiff's lien. The court also ordered the judicial sale of certain foreign patents as part of the efforts to pay off the lien.

HEDMAN, GIBSON & COSTIGAN, P.C., Plaintiff, -against- TRI-TECH SYSTEMS
INTERNATIONAL, INC., Defendant,

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

September 18, 1995,Decided
September 18, 1995, FILED

COUNSEL: For Plaintiff: HEDMAN, GIBSON & COSTIGAN (Pro Se), New York, New York, Of Counsel: Anthony R. Barkume, Esq.

For Non-Party, Cross-Movant Mid American National Bank & Trust Company: WASSERMAN, BRYAN, LANDRY & HONOLD, Toledo, Ohio, Of Counsel: David A. Bryan, Esq.

JUDGES: JOHN F. KEENAN, UNITED STATES DISTRICT JUDGE

OPINIONBY: JOHN F. KEENAN

OPINION: OPINION AND ORDER

JOHN F. KEENAN, United States District Judge:

Before the Court are two motions. Plaintiff, Hedman, Gibson & Costigan, P.C., moves the Court to compute attorney's fees and prejudgment interest on the Default Judgment entered January 19, 1993, as modified by this Court's Opinion and Order of January 13, 1994. With the Court's permission, Mid American National Bank & Trust Company ("Mid Am"), a non-party and secured creditor

of Defendant Tri-Tech International, Inc. ("Tri-Tech"), moves the Court to fix the value of the services and disbursements secured by the charging lien to be foreclosed under the Default Judgment.

Discussion

The Court assumes familiarity with the background of this action, as discussed in its Opinion and Order of January 13, 1994, modifying the Default Judgment with Order of Lien and Foreclosure Thereof entered January 19, 1993.

On the current motion for attorney's fees and prejudgment interest, non-party Mid Am "has no response to the calculation requested by plaintiff upon the default judgment." See Mid Am Mem. in Resp. to Pl.'s Mot. to Compute Attorney's Fees & PreJudgment Interest, at 1. After a full review of the submissions, the Court awards to plaintiff attorney's fees in the amount of $ 25,825, and prejudgment interest in the amount of $ 30,161.17. Including the underlying damages already awarded in the amount of $ 129,739.57, the total amount of the judgment to be entered is hereby set at $ 185,725.74. Remaining is Mid Am's motion and the question of what portion of the total judgment is secured by Plaintiff's charging lien.

Mid Am argues that only $ 8,718 of the total $ 129,739 judgment constitute services and disbursements secured under the charging lien, as modified by the Court's Opinion and Order of January 13, 1994. See Mid Am Mem. in Support of Mot. to Value Services, Etc., at 8. Mid Am also argues in the alternative that "the payment of prejudgment interest and attorney's fees is not secured by the attorney charging lien granted pursuant to § 475 of New York Judiciary Law," see Mid Am Mem. in Resp. to Pl.'s Mot. to Compute Attorney's Fees & PreJudgment Interest, at 1, and only $ 2,736 in interest and $ 1,743 in attorney's fees are attributable to the $ 8,718 in secured services and disbursements. See Mid Am Mem. in Resp. to Pl.'s Mot. to Compute Attorney's Fees & PreJudgment Interest, at 7; Mid Am Mem. in Support of Mot. to Value Services, Etc., at 7-8. In response Plaintiff renews its argument that Mid Am lacks standing in this action and argues that Mid Am is "continuing its efforts to modify the Court's final and nonappealable decision [of January 19, 1993]." Pl.'s Resp. to Non-Party Mot. to Modify the Value of Pl.'s Charging Lien, at 1.

Plaintiff's renewed argument that Mid Am lacks standing is untimely and without merit. Mid Am moved the Court for an order naming Mid Am as a "limited party defendant for the purpose of filing a motion to vacate or limit the default judgment" or to otherwise preserve its interests or those of the purchaser of the former property of Tri-Tech. See Order Permitting Appearance of Mid-American Nat'l Bank & Trust Co. on a Limited Basis (July 27, 1993) (Edelstein,

J.). Plaintiff did not file a motion to reargue the Court's order within the ten days prescribed by Local Rule 3(j). Plaintiff, however, did raise the issue of Mid Am's appearance at the oral argument on Plaintiff's Motion for a Public Judicial Sale. See Tr. at 7-8 (Dec. 20, 1993). The Court implicitly rejected this argument in the Opinion and Order dated January 13, 1994. Plaintiff again failed to seek reargument or reconsideration under Local Rule 3(j). Not until February 23, 1994 did Plaintiff file papers challenging the Court's July 27, 1993 order. See Not. of Cross-Appeal (Feb. 23, 1994). Plaintiff's attempt to raise this objection now is therefore untimely. Moreover, Mid Am's filings with respect to the current motions are completely appropriate under the Court's order, and the equities favor Mid Am's continued appearance. Mid Am has an interest in the value of Plaintiff's lien as it affects the redemption rights held by Mid Am or any subsequent purchaser of the former property of Tri-Tech, see Mid Am Rep. Mem. in Support of Mot. to Fix Value of Services, Etc., at 6-7, and as it affects Mid Am's role as warrantor on the sale of such property.

Plaintiff's argument that Mid Am is "continuing its efforts to modify the Court's final and nonappealable decision [of January 19, 1993]" is disingenuous. Mid Am's memorandum properly addresses the issue before the Court: the value of the charging lien. In contrast, Plaintiff's memorandum in response to Mid Am's motion does not address the value of the charging lien but seeks to vacate that portion of the Court's January 13, 1994 opinion that modified the Default Judgment of January 19, 1993. See Pl.'s Resp. to Non-Party Mot. to Modify the Value of Pl.'s Charging Lien, at 6 ("the judgment of January 13, 1993 . . . should be affirmed) (emphasis added), & 7 ("The January 19, 1993 Default Judgment should be affirmed . . . ."). Federal Rule of Civil Procedure 59(e) governs motions to alter or amend a judgment, and explicitly requires service within ten days. Local Civil Rule 3(j) also requires service of a notice of motion for reargument within ten days "after the docketing of the court's determination of the original motion." Plaintiff's memorandum challenging the findings in the Court's January 13, 1994 opinion that Plaintiff's charging lien applies only to patents and applications that were filed in the United States Patent Office and that Plaintiff's charging lien on patents and patent applications filed after March 22, 1988 is junior to Mid Am's security interest in those patents and applications was not filed within ten days. Plaintiff's challenge is therefore denied as untimely.

While denying Plaintiff's attempt to reargue, the Court recognizes the need to clarify an apparent inconsistency in its opinion modifying the Default Judgment. In the first paragraph on page eleven of the opinion, the Court states that the default judgment applies "only to those United States patents whose applications were filed in the United States Patent Office prior to March 22, 1988," Id. at 11 (emphasis added), while at the conclusion of the subsequent paragraph the Court

states that the sale under the charging lien may proceed "only as to those patents whose applications were filed in the United States Patent Office prior to March 22, 1988." Id. (emphasis added). The inconsistency results from Plaintiff's failure to distinguish adequately foreign or international patent applications filed with the United States Patent Office and foreign patent applications filed and advanced in foreign forums. Pursuant to the terms of the Patent Cooperation Treaty, 35 U.S.C. § 351 et seq., the United Sates Patent Office acts as a receiving, compliance and investigatory authority for international patent applications from residents or nationals of the United States. See 37 C.F.R. § 1.401 et seq.. The filing of an international patent application with the United States Patent Office therefore constitutes the commencement of a proceeding before a federal department for purposes of the New York Judiciary Law § 475, see Op. & Order at 9 ("Proceedings before the Patent Office are commenced when the attorney files the patent application with the Patent Office."), whereas the filing of the same application directly in the foreign patent office would not. This distinction is consistent with the legislative intent "to apply Section 475 broadly within the United States," see Op. & Order at 10, while not judicially extending the provision to foreign forums.

See id. at 11.

Insofar as Plaintiff had failed to identify which of the foreign applications and patents for which it claimed a charging lien had been filed in the United States Patent Office, the Court's modification of the Default Judgment ordered deleted all "foreign" patents.

> Therefore, the Court deletes from the second-to-last paragraph of the January 19, 1993 Default Judgment the reference to Schedule B, which is attached to the January 19, 1993 Default Judgment and lists the foreign patents upon which Hedman Gibson seeks to secure a lien.

Id. at 11 (footnote omitted). In the accompanying footnote, the Court correctly noted that Schedule B lists the "foreign patents upon which Hedman Gibson seeks to secure a lien." Id. at 11 n3. The Court hereby accepts Plaintiff's subsequent representations--unrebutted by Mid Am--that many of the patents listed in Schedule B were filed in the United States Patent Office. See Declaration of Martin P. Endres at 2-3. These patents warrant the benefit of § 475. The Court therefore clarifies its Opinion and Order of January 13, 1994, to reflect that the default judgment's foreclosure provision is modified so as to ensure that it applies only to those United States, foreign and international patents the applications for which were filed in the United States Patent Office prior to March 22, 1988. The Court's grant of Plaintiff's application for a public judicial sale is similarly clarified, insofar as the sale applies only to those United

States, foreign and international patents the applications for which were filed in the United States Patent Office prior to March 22, 1988.

Taking into account the above clarification, the Court determines that the following patents listed in Exhibit B to the Default Judgment are subject to public judicial sale: 706-001 AUSTRALIA,[1] 706-011 JAPAN, Japan Application No. 501094/1984; 706-015 CIP AUSTRALIA; 706-015 EPO; 706-015 NORWAY; 706-015 KOREA, Korea Application No. 700693/87; 706-016 BRAZIL; 706-016 DENMARK; 706-016 NORWAY; 706-016 EPO; 706-016 USSR; 706-016 AUSTRALIA; 706-016 KOREA. The total fees and disbursements attributable to these patents is $ 15,392.51, as shown in Plaintiff's Declaration of Martin P. Endres. See Endres Decl. at 4-25. This list excludes any foreign patents the applications for which were filed after March 22, 1988 (706-015 CIP/EPO (filed June 9, 1988); 706-019 AUSTRALIA (filed June 9, 1988); 706-019 JAPAN, Japan App. No. 63-505486 (filed June 9, 1988); 706-019 EPO (filed June 9, 1988); 706-022 CIP AUSTRALIA (filed June 6, 1988); 706-022 CIP JAPAN, Japan App. No. 63-505792 (filed June 16, 1988); 706-022 CIP EPO (filed June 16, 1988); 706-024 EPO (filed June 16, 1988); 706-025/027 CIP PCT (filed August 14, 1990); 706-027 JAPAN (filed October 28, 1988); 706-027 USSR (filed October 28, 1988); 706-027 EPO, PCT/US88/03866 (filed October 28, 1988); 706-027 PCT, PCT/US88/03866 (filed October 28, 1988); 706-027 CIP PCT (filed May 2, 1990); 706-027 AUSTRALIA (filed October 28, 1988); and 706-015 CIP JAPAN (filed June 9, 1988)); any foreign patents listed in the Endres Declaration but not listed in Exhibit B to the Default Judgment (706-011 PCT; 706-015 BRAZIL; 706-015 JAPAN; 706-015 CIP JAPAN; 706-011 DENMARK; and 706-015 CIP); and any foreign patents against which Plaintiff claims no unpaid fees or disbursements (706-026 AUSTRALIA; 706-026 JAPAN; 706-026 PCT; 706-026 CIP/PCT, App. No. PCT/US89/02673; 706-026 EPO; and 706-011 PCT). See id.

The Court also finds that the following patents listed in Exhibit A to the Default Judgment are subject to public judicial sale: 706-016; 706-020; 706-023; 706-025; 706-025/027 CIP[2]; 706-027; 706-003 DIV; 706-004; and 706-009 DIV.[3] The total fees and disbursements attributable to these patents is $ 10,216.15, as shown in the Endres Declaration. This list excludes any patents the applications for which were filed after March 22, 1988 (706-015 CIP DIV (filed August 8,

[1] The Court assumes that the patent identified as 706-001 AUSTRALIA in Exhibit B to the Default Judgment is the same as the patent identified as 706-011 AUSTRALIA in the Endres Declaration.

[2] Although the application for this patent was filed on August 15, 1989, Mid Am does not dispute Plaintiff's showing that the patent was not assigned to the debtor, Tri-Tech, until September 25, 1989. See Endres Decl. at 26 & Ex. C.

[3] The Court assumes that the patent identified as 706-009 DIV in Exhibit A to the Default Judgment is the same as the patent identified as 706-009 in the Endres Declaration.

1989); 706-027 CIP (filed May 3, 1989); 706-027 DIV (filed September 9, 1990); 706-012 (filed December 30, 1988

The total value of the fees and disbursements attributable to patents subject to judicial sale is $ 25,608.66. Including $ 1,234.15 as the portion of Plaintiff's miscellaneous expenses attributable to the patents subject to judicial sale ($ 25,608.66/$ 123,774.53 x $ 5965.04), the Court finds the total value of all fees, expenses and disbursements secured by the charging lien to be $ 26,842.81.

As to prejudgment interest and attorney's fees, the Court finds that neither are secured by an attorney charging lien granted pursuant to § 475 of New York Judiciary Law. Attorney's fees incurred in the fixing of the amount of a charging lien--the fees in this action--are not secured under that lien ahead of prior secured interests. See, e.g., Trendi Sportswear, Inc. v. Air France, 146 Misc. 2d 111, 549 N.Y.S.2d 561 (N.Y. Civ. Ct. 1989). Moreover, an action for a charging lien pursuant to § 475 is equitable in nature, see Markakis v. S.S. Mparmpa Christos, 267 F.2d 926 (2d Cir. 1959); Rosenman Colin Freund Lewis & Cohen v. Richard, 656 F. Supp. 196 (S.D.N.Y.), aff'd 850 F.2d 57 (1987), therefore the contractual provisions of NYCPLR § 5001 et seq. do not govern and prejudgment interest is not secured under § 475. See Morgan v. Onassis, 5 N.Y.2d 732, 177 N.Y.S.2d 714, 152 N.E.2d 670 (1958).

Conclusion

For the reasons stated above, the Court awards plaintiff attorney's fees in the amount of $ 25,825, and prejudgment interest in the amount of $ 30,161.17, for a total judgment--including the $ 129,739.57 already awarded in underlying damages--of $ 185,725.74. Of this total judgment, the Court finds that $ 26,842.81 is secured by Plaintiff's charging lien against the proceeds of any public judicial sale of the patents indicated above.

SO ORDERED.

Dated: New York, New York September 18, 1995

JOHN F. KEENAN

UNITED STATES DISTRICT JUDGE