

## Patent lawsuits give firm clout

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What started out as a dinner party novelty has turned into a lucrative patent for a small group of Grosse Pointe lawyers -- but not without years of high-stakes litigation with some of the world's largest camera and photography companies.

**St. Clair Intellectual Property Consultants Inc.**, a firm with six staff members housed above an office supply shop on Kercheval Street, has won patent infringement cases against **Canon Inc.** and **Sony Corp.**

It also has settled with six other companies over technology that allows digital cameras to take pictures in more than one format, such as TIFF and JPEG files. The technology also covers cameras that can take short video clips in addition to still pictures, said Ron Schutz, St. Clair's attorney.

Patents are typically registered with various governments around the world. In the United States, patents are handled by the U.S. Patent and Trademark Office. If someone can prove they properly registered a patent for a technology or invention that someone else later used in a commercial product, then they can take action in court to collect royalties, fees or damages.

St. Clair purchased the patent for the digital technology from a group of inventors that unsuccessfully tried to start a camera company.

"What may seem obvious today was not obvious 14 years ago," Schutz said. "As things turned out, this really was an improvement to cameras."

St. Clair awaits a jury's verdict this morning in its case against **Fuji Photo Film Co.** in U.S. District Court in Wilmington, Del.

Fuji declined to comment on the pending litigation.

St. Clair seeks \$18 million in the trial, which started last week, shortly after another jury awarded St. Clair \$34.7 million in its case against Canon.

St. Clair specializes in working with start-up businesses. Shortly after it was founded in the early 1990s, the company invested in **Personal Computer Cameras Inc.**, made up of three inventors who developed an early prototype of a digital camera.

Thomas Baumgarten, a founding partner in St. Clair, said he remembers first using the prototype during a dinner party with investors, lawyers and one of the inventors in a Washington, D.C., suburb.

"They called it a pizza-box camera," Baumgarten said.

The gray point-and-shoot camera measured about 5 inches high, 12 inches wide and 12 inches long, with a disk drive.

Baumgarten and the guests snapped black and white photos of each other around the dining room table that night and loaded them on to a PC, Baumgarten said.

"We liked the inventors. We had never seen any digital cameras before and we thought it was a pretty neat idea," Baumgarten said.

Personal Computer Cameras' investors tried to raise capital. But few would invest and the company ran into trouble when a merger agreement failed in the mid-1990s.

"PCC was at a total dead end. They put all their effort, all their savings, into the company," said Edmund Chung, St. Clair's other partner. Chung was on the Personal Computer Camera's board from 1992 to 1994.

In 1995, St. Clair swooped in to help bail out the company.

In return, PCC sold its patents to St. Clair, which agreed to pay the inventors half of the net profit from royalties.

In the meantime, St. Clair obtained more patents on the technology and became busy in litigation on an unrelated patent.

In the late 1990s, the company noticed that Sony was marketing a digital camera with the same feature to which St. Clair owned the patent.

In 2001, Sony became the first of nine camera companies that St. Clair hit with a patent infringement suit.

"Sony was the biggest. They had the largest market share at the time," said Schutz, a Minneapolis-based attorney who leads the intellectual property team at **Robins, Kaplan, Miller & Ciresi L.L.P.**

A jury awarded St. Clair \$25 million in the Sony case. But before the payout, Sony settled for an undisclosed amount by purchasing a license and agreeing not to appeal.

The win gave the patents and St. Clair clout.

Two days after the Sony verdict, St. Clair sued eight other digital camera companies, including **Minolta Corp.** and **Nikon Corp.**

Six of those companies settled by purchasing licenses.

Earlier this month, a jury awarded St. Clair \$34.7 million in its case against Canon.

Canon spokeswoman Debra Epstein said the company is disappointed with the verdict. "We believe that our position is correct and that we will be vindicated on appeal," she said. The company declined to comment further.

St. Clair awaits a verdict on the Fuji case during a year when the sale of digital cameras in the United States is expected to reach 22.8 million, a 42-percent increase compared with 2003, according to **InfoTrends/CAP Ventures**, a Weymouth, Mass.-based market research firm.

Fuji would not comment on the case because it is ongoing.

The process has been risky for St. Clair, which owns about 100 patents and grossed \$70 million last year, Baumgarten said.

As a small company, compared to the electronics giants it has taken on, St. Clair's size may have been an advantage in the courtroom.

"It's the small guy versus the big guy before a jury. I'd always rather be the small guy," said Martin Adelman, a law professor at the George Washington University Law School.

But that wasn't evident until the verdict in the Sony case. "When we went through the Sony litigation it was a matter of survival," Baumgarten said.

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