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Simple collections case balloons, leading to \$2.3M in attorney fees

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BOSTON – Massachusetts federal judge Rya Zobel awarded Computer Sales International Inc. (CSI) more than \$2.3 million in attorney fees and about \$479,000 in costs for a case that began as a "simple claim" to collect \$300,000.

Zobel's Jan. 7 order in *Computer Sales International Inc. v. Lycos Inc.* requires Lycos, an Internet service company, to reimburse computer-leasing company CSI.

Zobel's three-page order awarded CSI \$2,340,717 in fees and \$479,720 in litigation costs. CSI was represented by McCarter & English, and McDermott Will & Emery represented Lycos in the case.

The hefty award may be something of a pyrrhic victory for CSI because it's "considerably less than the fees incurred," according to Zobel.

But her Aug. 27 order allowing CSI to file a post-judgment motion for attorney fees explained that CSI's fee request was tied to the companies' contracts.

According to court papers, the companies' relationship dates back to 1996. Their agreements called for Lycos to pick out equipment and negotiate a price with the vendor. CSI would then buy the equipment and lease it to Lycos.

CSI first sued Lycos in January 2005 to recover \$301,000 plus interest. Lycos refused to pay because a consulting firm it hired concluded that CSI overcharged it. Lycos then countersued CSI to recover about \$14 million in alleged overpayments stemming from a payment schedule revision.

CSI rejected Lycos' January 2009 offer to accept judgment that it was liable for \$301,000 plus interest, and a trial went forward on CSI's claims and Lycos' counterclaims.

Zobel's order said the case "exploded into a massive and highly contentious litigation" with Lycos' multipronged counterclaims. They included negligent and fraudulent misrepresentation, violations of the Massachusetts consumer protection law, usury, unjust enrichment and several counts for declaratory judgment.

Zobel said CSI's amended complaint piled on with "tit-for-tat claims" for fraud, breach of good faith, violations of the Massachusetts consumer protection law and abuse of process.

Zobel also characterized the extensive discovery as marked by "more than usual disagreements," which was followed by several rounds of motions to dispose of the case and a 13-day jury trial. After both sides presented the evidence, CSI moved for a judgment as a matter of law, and the court ruled in favor of CSI on its claim that Lycos breached the master lease and equipment schedules. The jury's June 17 verdict on Lycos' counterclaims determined that there wasn't a fiduciary relationship between CSI and Lycos. It also determined that CSI didn't misrepresent the facts to fraudulently induce Lycos to enter into the sales agreement.

Lycos did not return calls for comment and its McDermott Will lawyer, Boston litigation partner Thomas Bean, was not available for comment.

CSI's lead trial counsel, Bob Kaler, a Boston partner who co-leads McCarter & English's business litigation group, declined to comment. CSI did not respond to a request for comment.

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