

VIRGINIA LAWYERS WEEKLY

Vol. 23, No. 1

June 9, 2008

www.valawyersweekly.com

Company ordered to pay fees of \$78K

Judge: Counterclaim filed for 'intimidation'

BY ALAN COOPER

A Fairfax judge awarded \$78,202 in attorneys' fees last month after concluding that a company and its attorneys filed a counterclaim to intimidate an accounting firm that had filed a warrant in debt to collect a \$7,055 obligation.

J. Chapman Petersen and John C. Bazaz, the attorneys for Tax Accounting & Payroll Services Inc. (TAAPS), contended that the complaint they filed in Fairfax General District Court was a simple collection action against Loans and Mortgages LLC (L&M).

The complaint sought recovery under a written contract that provided for reasonable attorneys' fees incurred in any collection action. TAAPS provided bookkeeping and data entry services for L&M.

L&M removed the case to circuit court and threatened to file a counterclaim against TAAPS and a third-

party individual complaint against TAAPS' principal, Manjit Singh.

After TAAPS' attorneys wrote L&M that they would seek sanctions under Virginia Code § 8.01-271.1 if such a suit were filed, L&M filed the counterclaim and third-party complaint.

L&M sought hundreds of thousands of dollars in damages in seven counts alleging breach of contract, fraud and accounting malpractice. Petersen and Bazaz contended that L&M sought an extraordinary amount of discovery in an effort to support their claims.

During the trial of the case, only a counterclaim for breach of contract survived rulings by Judge Charles J. Maxfield and the voluntary withdrawal of counts by L&M. A jury returned a verdict for the amount TAAPS sued for and rejected L&M's claim.

Maxfield held a separate hearing on the issue of attorneys' fees, and Arlington attorney Raighne C. Delaney testified as an expert witness for TAAPS on the reasonableness of the fees of Petersen and Bazaz.

Before Maxfield ruled on the fees, Gary & Regenhardt LLC, the Vienna law firm that filed the counterclaim for L&M, settled a § 8.01-271.1 claim

against it under a confidentiality agreement.

Maxfield awarded the full amount of the fees sought by TAAPS as "reasonable 'costs of collection' as contemplated by the parties' contract which were legitimately incurred in prosecuting the original claim and defending the Amended Counterclaim."

The judge also found that "the tenor of the counterclaim and the way it occurred and scope of it and multiple counts, most of which were dropped, was imposed for intimidation in this case."

That improper purpose "needlessly increased the cost of the litigation to TAAPS and thus violates Section 8.01-271.1," so that the fees were recoverable under the contract and as a sanction, Maxfield said.

M. Joseph Pierce, who represented L&M on the issue of attorneys' fees, objected to the order. He contended that the award was excessive because the contract called for recovering the costs of collection, not the cost of defending the counterclaim, and because it included representation on motions on which L&M prevailed.



(At left): Puneet Ahluwalia, CEO, Loans and Mortgages LLC. Relinquished mortgage license on May 2, 2008 one day after the order.

(At right): Manjit Singh (aka Manny Singh) CPA, MBA, President, Manjit Singh CPA PC: Tax Accounting and Payroll Services Inc.. (TAAPS) and IRS-Solutions LLC.

