



Mar 12, 2017

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Case study: Arbitration panel finds New York firm's request for contingency payments far exceeds fees company actually owed

Problem

Our client had engaged a New York law firm to bring a contingency claim against a large energy company. The claim resulted in a settlement under which our client recovered coal reserves and resources in Central Appalachia, along with an operating coal company burdened with substantial liabilities. Pursuant to the terms of our client's contingency agreement with the New York law firm, an American Arbitration Association arbitration panel was to value the properties recovered in settlement, with the contingency to be calculated based on that value. The client and the law firm valued the property at significantly different amounts, however, and if the law firm's value had been accepted by the arbitration panel, the client would have owed tens of millions of dollars in contingency payments to the law firm.

Solution

The client hired Frost Brown Todd (FBT) to defend its valuation at the arbitration. FBT's trial team, led by [Barry Hunter](#), hired numerous coal experts, geologists, engineers and economists to support the client's valuation of the acquired assets. This effort required geological analysis of the amount and quality of the coal reserves and resources; engineering analysis of the costs of mining; economic analysis of the projected coal sales prices at which the coal could be mined; and a valuation of liabilities, including reclamation, union pension, negative working capital, and other factors that burdened the operating coal company acquired in settlement. Each of these issues was hotly contested at a two-week arbitration hearing.

Client Benefit

The arbitration panel valued the assets at an amount which yielded a contingency award of only a small fraction of what the New York law firm was demanding in settlement and far less than the amount of the firm's fees based on its hourly rates.

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