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Chief IP Counsel: Stop Trying to Change How Your Lawyers Bill You and Focus on the Model They Use to Provide Your Legal Services

As legal service fees continue to rise five percent or more year after year, corporate IP managers, such as Chief IP Counsel and the like, continually face pressures from their management teams to reduce outside counsel legal expenses. The current economic downturn has also resulted in corporate legal budgets being slashed, thus increasing the pressure on corporate IP managers to reduce outside counsel costs, even while IP asset value is becoming more important to C-level management. As a result, the need for corporate IP managers to achieve outside counsel fee relief while at the same time maintaining IP legal service quality is more acute than ever today.

Today, there are a number of commonly accepted methods to achieve outside IP counsel fee relief including fixed (or "capped") fee arrangements and a percentage reduction per total hours billed, as well as electronic billing systems set up to automatically audit law firm bills. For corporate IP managers, adoption of one or more of these methods certainly provides a perception of immediate relief. A corporate IP manager's task of negotiating with his outside IP lawyers regarding legal service fees nonetheless amounts to nothing more than "pushing the same rock up the same hill" because the same conversation will invariably occur again and again. Significantly, existing models of outside IP counsel fee relief focus primarily on modifying the way the law firm bills its corporate clients. In working within the law firm legal service paradigm, however, only incremental improvements are possible because only so much cost can be removed from this legal service model.

In reality, corporate IP managers do not need improvements in the way *IP law firms bill them* for legal services. Rather, these clients need improvements in the way their *IP lawyers deliver* legal services to their corporations. If such improvements ultimately emanate from a group of lawyers collectively practicing in an entity known as a "law firm," then that group of IP lawyers should be looked at as providing innovative solutions to their clients' IP legal service needs. But if these improvements come from IP lawyers working outside of the traditional law firm model, corporate clients seeking truly innovative solutions to ever-rising IP counsel fees should not be afraid to try such new models.

One such innovative IP legal service model now emerging is the "micro-firm" concept. An IP lawyer practicing in this manner works either alone or in loose association with other like-minded professionals. Typically, micro-firm lawyers work virtually, such as from their homes or from "hoteling" office locations. Without the substantial administrative costs of a traditional legal practice, micro-firm lawyers can charge markedly less than those practicing in a law firm setting.

Some might wonder how a micro-firm lawyer differs from a lawyer practicing in a small firm or solo setting. Well, the answer depends on whether or not the small firm or solo adheres to the traditional law firm model. If she works alone in loose association with a small group of lawyers but maintains the accepted staffing paradigm (e.g., receptionist, secretary, docket clerk etc.), this lawyer is still working within the law firm paradigm and cannot truly be considered a micro-firm lawyer. But if the lawyer handles her own administrative matters or outsources them to independent contractors on an as-needed basis, she fits the profile of the emerging micro-firm legal service model.

A further distinguishing aspect of a micro-firm is that a lawyer practicing in this setting typically possesses many years of high level law firm or corporate practice IP experience. Such level of experience generally means that she will possess a skill set more appropriate to address the IP legal service needs of clients seeking to maximize corporate IP asset value than that of a lawyer who has practiced primarily in a small firm or solo setting. Accordingly, the corporate IP manager who hires a micro-firm lawyer should expect to obtain IP legal services at a quality comparable to the best IP law firms at a significantly lower overall cost. Put simply, although the micro-firm lawyer no longer works in a well-appointed

office fully supported by competent administrative staff, she nonetheless still provides high quality legal services, albeit in less glamorous surroundings where she likely must sharpen her own pencils.

Admittedly, the micro-firm concept is not a solution for all corporate clients needing IP legal services. Because the micro-firm lawyer endeavors to keep overhead low, she likely will not provide docketing services and may also not desire to provide IP filing and management services for clients. For a corporate client that maintains its own in-house IP infrastructure, these limitations should matter little, however. If a corporate IP manager employs competent docketing and administrative staff, there really is no need for his organization to carry the overhead costs associated with his outside IP lawyers also maintaining a comparable infrastructure. In other words, if a corporate IP manager believes that his IP administrative staff members are doing their jobs correctly, the redundancy afforded by hiring a IP lawyer who maintains the same infrastructure is likely a waste of money. (But, if the corporate IP manager feels that he must rely on his outside IP counsel for administrative back-up, he might want to examine whether he has the right people staffing his internal IP infrastructure.)

As one example of the micro-firm concept in practice, a highly experienced chemical patent attorney with whom I am acquainted would bill over \$500 an hour if she still worked as a partner at a well-known IP boutique. Now that she works from home on her own terms, she bills her clients about \$250 an hour. Of course, her work product does not differ from that she prepared at the law firm. To the contrary, her work product quality, as well as her responsiveness to clients, is likely greater today because she is not subject to the pressures of client development and law firm management that caused her much consternation while in private practice. A difference in my acquaintance's practice and that of a traditional law firm is that she does not handle docketing matters for her clients. She prepares high quality patent applications and handles other patent matters and then passes off her work product to her clients for docketing, filing and managing using their own corporate staff. My acquaintance makes a good living from this "micro-firm" model, and instead of having to take clients to dinner in the evenings, she is home when her kids get home from school in the afternoons.

Corporate IP managers may wonder how they might identify well-qualified lawyers working in the micro-firm model. Social media products such as LinkedIn, Twitter and Facebook operate as innovative resources in this regard. Internet IP job boards also now increasingly feature ads for virtual and part-time IP lawyers to provide legal services directly to corporations. Also, corporate IP managers should also not be reticent about asking their existing IP legal services providers for recommendations. (Surely they would rather a corporate client outsource work on a piecemeal basis to a business friend, as opposed to losing a corporate client wholly to another law firm.) Most experienced firm lawyers know one or more IP lawyers who became weary of the pressures of law firm practice, but who still wish to practice law, although likely in more low-key manner. And, with the increasingly frequent closure of previously storied law firms as a result of the current economic downturn, it is likely that significantly more highly experienced IP lawyers will become available as outsourcing resources for savvy corporate IP managers.

The micro-firm concept clearly is a new way to provide IP legal services to clients. Many who work within the traditional law firm model will no doubt find many reasons why the law firm legal service model is superior to a lawyer working at home in her pajamas. And, these critics may be right in many respects. Micro-firms certainly do not serve as a universal answer to all of the issues today facing corporate IP managers. The micro-firm concept can nonetheless operate as one of the innovations that collectively allow corporate IP managers to maintain the overall quality of their IP operations, while at the same time allowing them to reduce the cost of obtaining such IP legal services.