



Innovations in Corporate IP Management: Methodologies to Reduce Outside IP Counsel Costs

Jackie Hutter, MS, JD

Chief IP Strategist

The Hutter Group LLC & Patent MatchMaker

Decatur, GA

Web: www.JackieHutter.com

www.PatentMatchMaker.com

Blog: www.ipAssetMaximizer.com

Twitter: @ipStrategist

Today's Legal Service Realities

75 % of in-house counsel report that budgets decreasing average of 11.5 % for 2009

- Altman Weil Flash Survey (January 2009)

But, increasing emphasis on IP at corporate level

- In-house IP counsel must get more with less

Law firms are also struggling

- So far 2009 associates and staff are being shed in droves
- But, per hour costs to clients not being reduced
 - Salaries for remaining lawyers not decreasing
 - Law firms still opulently appointed and leases must be maintained

Traditional Methods of Reducing IP Legal Costs

Bringing legal work in house

Reducing in-house headcount

Reducing amount of IP obtained

Asking outside counsel for discounts,
rate freezes, roll backs

Requiring flat fees, budgets, alternate
rates

Traditional Methods of Reducing IP Legal Costs Will Not Work Today

Each of these methods involves tweaking of existing legal service model

- Only so much cost can be removed from system in this way
 - Especially given lawyer salaries

To be truly effective in significantly reducing legal costs, we need to modify way legal services are provided, not just how much they cost

- Introduce efficiencies into IP procurement process
 - Get lawyers out of the system as much as possible

Idea 1: Conduct a REAL Audit

Failure rates

- New product introductions = 75 % to 90 %
- Venture backed businesses = > 50 %
- Technology acquisitions by established companies = 70 %

Numbers mean that most IP filed to product these products/technology no longer relevant to business

Abandonments of existing IP filings does not approach these level

Idea 1: Conduct a REAL Audit

Provides an objective view of what IP is actually being used

Should effectively ignore “sentimental” value of IP

- In reality, most old ideas will not be resurrected by the same company

Goal is to identify what is goes in “keep” and “toss” piles

- Tossing IP that is not relevant can significantly reduce costs
- May identify IP that is suitable for sale or license for generation of new revenue source

Will likely also be able to identify opportunities to improve IP processes and communication

Idea 2: Go Fully Paperless

Vendors have tried for years to convince patent lawyers to adopt electronic file management systems

Many patent lawyers remain wedded to 3-sided file system

- Both inside and outside counsel

Myself included

- Feeling of accomplishment even when prosecution plodding along

Idea 2: Go Fully Paperless

In 2008, conducted consulting project where evaluated times with and without traditional paper patent files

Itemized all administrative steps associated with patent I I common prosecution steps

- Not substantive legal work

Electronic file management decreased administrative time markedly

- Approximately 22 total hours
 - For corporation with fully engaged outside patent counsel patent procurement processes (“mirrored systems”)
- Approximately 11 total hours
 - For corporations with self-contained patent procurement processes

Systems also provide improvements for ongoing IP management processes

- Substantial savings throughout patent lifecycle

Idea 3: Super-Charge Your Staff

Most efficient (and profitable) IP law firms have high staff to attorney ratios

- Rejection of traditional partner/associate leverage law firm model
- Better able to deal with commoditization of patent practice

Query: how much of what IP attorneys do can be effectively done by paralegals and staff?

- Many IP procurement tasks can be conducted with minimal supervision
- Real estate practice model

Paralegals make 1/2 or less than attorneys

- Flawless vetting and hiring is key to success

Solicit and accept ideas for more efficient processes from those who do the work

- They know what works

Idea 4: Do You Really Need a Full-Time Docket Clerk?

In pre-Internet days, docket clerks were fundamental to operation of patent department due to date critical aspects of practice

- Multiple levels of redundancy

Today, outside counsel can provide automatic reporting of docket dates that can be auto-populated into in-house calendar programs

- Outside counsel effectively acts as client's docketing staff
- Client can access portion of outside counsel docket

To be docketed, attorney notifies inside docket clerk and outside counsel—why do you need both today?

- Outside counsel maintains malpractice liability
- Why is in-house counsel doing work for them—are they giving you a discount for back-up?

Moving forward, will be additional opportunities for auto-docketing

- Web-crawling of world-wide IP databases

Idea 5: Consider Micro-Firms for Routine Procurement Tasks

For corporations with fully operational IP departments, why are you paying for law firm staffing and amenities

- Especially for routine IP procurement

Many experienced IP lawyers wish to achieve more flexible schedules

- Recent lay-offs of high level IP lawyers provides much more opportunity

Typically, micro-firms lawyers do the work without internal staffing

- But, can also contract for docketing, administration etc.
- Likely more cost effective for docketing and administration to be handled by corporate department

Cost savings for patent work

- \$200 per hour vs. \$500 or more per hour for experienced practitioners

Not generally suitable for high stakes prosecution and opinion work or litigation

Idea 6: Hire Good Counsel in Low Cost Markets

IP lawyers arguably were the first “virtual lawyers”

- Federal law-based nature of practice
- Web 2.0 allows far flung lawyers to have access to highest quality legal training and information
- R & D operations often located far from corporate offices and centers of legal practice

If you don't visit your IP lawyers, why are you paying for their mahogany conference tables and 6 types of soda?

- And even if you do, is it worth the ongoing expense?

Senior lawyers in high-end OKC IP law firm bill \$350 per hour vs. \$550 in ATL market for comparable experience

If you need to meet, get lawyers to visit you on their dime!

Still may need to keep local lawyers, but use sparingly

Idea 7: Forget What You Thought You Knew About Buying IP Legal Services

Disruptive innovation is occurring at law firms today

- Many venerable law firms will not be around in 2 years
- New practice models are emerging
 - Consider aggregating foreign filing through services like Innovia

Web 2.0 technology will continue to reduce administrative costs associated with legal services

- Ask law firms how they are utilizing technology and seek discounts



THANK YOU!