

A private practitioner's guide to the perils of dealing with in-house IP lawyers

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Breaking from nostalgia

A few years ago, I wrote an article on risk management for IP counsel.¹ I penned that article from the perspective of an in-house IP attorney supporting an international consumer goods business from the confines of a corporate headquarters situated in New Jersey. Since then, I have had the opportunity to augment this in-house role in Europe when the company changed hands, during which time the Euro fluctuated wildly, new construction all but ceased and most major industrial nations faced imposition of 'austerity' measures to face increasing debit obligations. I am now fortunate to complement a thriving private practice back home in the USA, for which I can apply the lessons of my in-house role for the benefit of our in-house clients.

During the intervening time since that article, the principal concern for in-house IP counsel has changed. Controlling outside legal spend now surpasses even concerns about compliance.² What has not changed is the demand for increased multi-disciplinary knowledge from in-house IP counsel as GCs are themselves subject to assessments of overall corporate risk. The in-house counsel's reliance on outside expertise therefore can arise from a plurality of issues that do not necessarily challenge the in-house counsel's own scope of legal knowledge, but rather arise from a calculated understanding of mitigated risk.³

Thus, as private practitioners, the only 'perils' we face in supporting our in-house customers are those we impose upon ourselves. Are we directly addressing the business concerns of our clients and focusing on cost reduction as a primary goal? Are we providing exemplary service that addresses these business concerns? Are we duplicating efforts to the detriment of our clients?

Key issues

- Establishing and maintaining a budget has always been critical for in-house counsel but the pressure is now quite intense. Private practitioners must understand the tenuous maintenance of an in-house IP budget by IP counsel that must nevertheless support a robust IP portfolio.
- In the wake of the most recent global recession, in-house IP counsel are far more engaged in law practice and much more aggressive in driving down costs. GCs fervently seek innovative means of cost containment (and for publicly held companies, this issue is a primary concern for shareholders). The same obligations for in-house counsel exist (such as the relative value of IP assets, infringement liability, and support for R&D and marketing activities), but the associated legal costs are under heavy scrutiny. If outside counsel cannot respond quickly and accurately in a cost-effective and professional manner, the corporate client will simply seek counsel that can reliably deliver the required results.
- For private practitioners in multi-jurisdictional IP practice, the thresholds for reducing outside legal spend have been adopted across the globe. Practitioners may want to position themselves as true partners for in-house IP counsel and treat them as the valued customers that they are.

An in-house counsel that has to correct the work performed by a private practitioner or spend time teaching basic tenets of IP law to a young associate is not receiv-

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1 'How to Stump a Corporate Lawyer: Means of Effective Legal Risk Management for IP Counsel' (Fall 2006) 1 (1) *Journal of Legal Technology Risk Management* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=964253.

2 'Controlling outside Legal Spend Surpasses Compliance Requirements as Top Concern for In-House Counsel' <http://www.acc.com/aboutacc/newsroom/pressreleases/2009/Serengeti2009.cfm>.

3 For instance, the Court of First Instance, EC (CFI) recently reaffirmed the conclusion that, because in-house lawyers are not 'sufficiently independent', attorney-client privilege shall only apply to communications with 'independent external lawyers' (Case C-550/07 P *Akzo Nobel Chemicals Ltd and Akros Chemicals Ltd. v European Commission*). This is an important distinction from the application of privilege in the USA and therefore may be a sufficient enough reason for in-house IP counsel for a multinational concern to establish a relationship with a reliable private practitioner.

ing any additional value supposedly realized by an ‘alternative fee’ arrangement.

To borrow from a GC’s perspective, ‘Doing good legal work is the threshold not the value.’⁴ What then is the value proposition inherent in private practitioners’ service to in-house IP counsel? Sometimes it is not always legal and business proficiency alone that establishes and nourishes a relationship, but also the following conditions precedent for private practitioners to successfully retain corporate customers.

Exhibit insight, not pretence

In-house counsel has differentiated among multiple private practitioners and has engaged the services of certain outside counsel for a reason. That reason may be multi-fold, ranging from the existence of an established relationship to the infusion of new talent in a critical practice area. Individual and collective expertise, combined with solicited opinion, is important to the delivery of a decision by in-house IP counsel to his business unit and his GC.

No less important is the manner in which private practitioners deliver advice to the in-house counsel: are the conclusions informative and practical, or are they simply cumulative? Is the tone of delivery helpful and supportive, or is it arrogant? A practitioner’s stature as a member of a Magic Circle firm is less important than giving the in-house client relevant information when the client needs it. It is therefore not advisable for outside counsel to send an inexperienced associate to negotiate a complex IP transaction simply because the associate has certain academic credentials. If the associate has demonstrated skill in certain matters and can be easily integrated into an in-house counsel’s overall practice, that associate’s services should be offered at a much lower billable rate (or even offered gratis if a partner is also billing on a shared or complementary matter).

The extent of billing and how a private practitioner handles billing disputes goes hand-in-hand with humility. If a firm’s services have been retained by an in-house IP counsel, members of the firm are wise to consider themselves part of the supply chain and therefore easily replaced commodities. Such firms should therefore understand when it is appropriate to assign a dedicated IP associate and when it is appropriate to involve a seasoned partner, resulting in a better relationship all around. Secondment is often a successful means of

integrating outside counsel in a business and helps create trust between members of a business’s multi-disciplinary teams and private practitioners. Outside counsel must always recall that, unless otherwise directed by the IP counsel, the IP counsel is the client.

Outside counsel should also refrain from the adoption of practices to ‘bill the unbillable’ to make up for lost associate billing hours. If the corporate client receives a bill for time spent explaining things to an associate, and such time far exceeds what would have been charged for 10 minutes from an established partner, there should not be any expectation to do business with that client again (even if there is a well-established relationship).

Communicate, advocate, and admit mistake

Private practitioners must appreciate in-house clients’ on-going concerns about the extent to which budgetary constraints having a potential negative effect on the intrinsic value of intangible assets. The in-house IP counsel is consistently justifying outside counsel fees to her boss. She wants to know that her phone call to outside counsel will not only merit an immediate response. She is simultaneously worried whether that call will show up as an invoice line item (prompting her boss to ask ‘Was that phone call to counsel really necessary?’). If a private practitioner is fortunate enough to work with a holistic IP practitioner who can transcend prosecution issues and readily integrate into discussions of tax liability, marketing opportunities, and criminal sanctions, the practitioner should be prepared to ask the relevant questions that will prove inherent worth, such as:

- Has the business cleaned up the title chains of its intangible assets?
- If the business is considering a sale or licensing of intangible assets, how have such assets been valued? Which valuation techniques were employed and why?
- Has the business included the inherent knowledge present in the company in that valuation (meaning, has the business tapped into the value of the history captured mentally by long-time employees, suppliers, and customers)?
- Is there applicable legislation that has been considered (i.e. the implication of relevant European Directives on marketing activities, or the countries

4 ‘A Value-based Client-Firm Relationship: Part VII’ <http://www.inhouseaccess.com/2010/07/articles/value-challenge-1/a-valuebased-clientfirm-relationshippart-vii/> (Ken Grady, General Counsel and Secretary of Wolverine World Wide offers a multi-part dialogue with the

firm of Seyfarth Shaw to illustrate some ways in which private practitioners can realize cost containment goals for their in-house clients).

in which a transfer of assets by a US company would be subject to embargo by the US State Department)?

- Has the business considered the advertising restrictions inherent in its marketing plan?
- Does the business need to file any registrations with any administrative authority prior to a product launch?

These are the types of issues that will expose risks and inherently rank them in the order of importance. For example, if the failure to register an antimicrobial additive subjects a client's business to a fine imposed on each product incorporating that additive, then this risk merits more immediate attention than performing a portfolio review (unless a sale or acquisition is imminent, in which case both risks must be addressed). Keeping an eye on the bottom line is the sincerest form of advocacy that private practitioners can provide for in-house counsel.

Outside counsel should also suggest regular schedules and means of communication that complement the in-house counsel's existing processes and culture. For instance, on a large-scale project, having a weekly call or web meeting with in-house counsel and/or representatives of her business is an efficient and effective way of not only providing regular updates but also developing broader business relationships. These updates provide excellent opportunities to help in-house IP counsel accentuate her existing processes and perhaps even provide insight for improvements.

Any outside counsel that discovers a mistake should own up to it right away. There is little else that is more frustrating for in-house counsel—no matter what the practice area—than to make a recommendation to her GC on the basis of a trusted practitioner's advice only to find out that there are potentially risk-inducing errors in that advice. Such errors may be inadvertent but are nevertheless reflective of a service provider's capabilities. The practitioner's willingness to be up front about a mistake—and prepare a plan to address the mistake—will go far in demonstrating proficiency in risk management. Outside counsels that fail to maintain their own appearance of propriety will find corporate customers are more than happy to do it for them.⁵

5 A private practitioner should never bill the client for any work performed to rectify the practitioner's error.

6 This is particularly true when continuing legal education is required by the jurisdiction granting the in-house counsel's licence.

7 The typical standard is exercising such level of care as a reasonable person would have exercised in similar circumstances.

8 Of course, the training should be offered gratis or at a substantially reduced rate that includes any and all follow-up questions, including

Be inspired to learn, and learn to inspire

One of outside counsel's strongest assets is the ability to keep in-house IP counsel updated on practical law considerations that may affect in-house practice. It is extremely hard work for in-house IP counsel to implement and maintain a successful IP strategy and still remain responsive to outside factors.

One of the most difficult parts of serving as in-house IP counsel is keeping up with current developments in the practice. Sometimes corporate budgets will not allow for professional development, or sometimes the demands of the job simply eliminate the opportunity for in-house counsel to attend offsite training. In-house counsel is often inundated by publications that attempt to address the continuing education gap and will therefore be selective about educational opportunities.⁶

Private practitioners can capitalize on this value opportunity by educating themselves and thereby enabling in-house counsel to satisfy their requisite legal duties.⁷ Being well-versed in the client's industry includes an extensive understanding of the ongoing technical and financial developments in that industry, on the basis of which the private practitioner should guide clients on where the laws are going, not where they have been, on a trans-jurisdictional level. Private practitioners that develop training modules can build upon basic concepts that remain relevant as the company gets new talent. Use of these training sessions brings creative and cost-effective solutions to the in-house IP counsel's practice (for instance, in developing alternatives to filing patent applications as part of the company's overall treatment of intangible assets). Value as outside counsel can then be measured on how much the practitioner knows about a client's business and how readily all members of that business relate to practitioner on a professional and personal level.⁸

'We're Your Customers, Not Your Clients'

I read this statement in an excellent piece written by Richard Russeth, Vice President and General Counsel at Leprino Foods Company.⁹ Mr Russeth evangelized simple mistakes that are often made by private prac-

those received by outside counsel over the phone or by email. No in-house IP counsel wants an invoice showing 0.2 hours billed for answering a question related to a training module.

9 'If Nordstrom's Was a Law Firm, I'd Give Them All My Business: 7 Mistakes to Avoid with Your In-House Client' <http://thelastgeneralist.blogspot.com/2010/08/seven-mistakes-to-avoid-with-yourin.html>.

tioners who get too comfortable in their relationships with their corporate customers. Since Mr Russeth said it better than I ever could have by providing all of us with simple rules of common courtesy and professionalism, I summarize his recommendations for outside counsel below:

- Make it easy for in-house counsel to reach out, ensuring the inclusion of contact information in a signature line (including office and mobile phone numbers, email addresses, and website URLs).
- Return phone calls as a matter of urgency.
- Keep all promises. All of them.
- Do not set up any situation in which there will be a quarrel with a customer over a bill. Provide the service. If the customer is unhappy with the service, offer better service without additional cost. This will not only improve cash flow management but will also ensure return customers.
- Be smart, fast, and pleasant.
- In-house counsel is a customer. Do not behave as if the service provided to in-house counsel is a favour.
- Outside counsel is never too busy to treat every customer as the only customer.

None of these issues had anything to do with IP practice but had everything to do with relationships. I believe IP practice inherently draws many supremely intelligent individuals who know a lot about the law. Unfortunately, this does not often translate into the customer service directives that will form a solid relationship. In-house IP counsels are also looking to their internal clients as customers. Private practitioners' view of in-house counsel should accordingly be in alignment.

Change is in the air

More change is coming within the legal profession and, more often, in-house IP counsel will need to assess what the value of a service is up front. Therefore, the incentives exist now for private practitioners to reduce inefficiencies, increase productivity, and still improve the manner in which legal services are purchased and delivered. The improvements that add value for the corporate client will be representative of a firm culture that successfully manages the entire customer service experience. At the end of the day, customers will appreciate the way business is done and not just legal acumen.