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Clients To IP Lawyers: Get Biz Savvy Or Get Packin'

By Erin Coe

Law360, New York (April 20, 2010) -- When Jackie Hutter made the leap from being a shareholder at an intellectual property boutique to senior patent counsel at paper and packing firm Georgia-Pacific LLC, she was surprised to discover that patents matter little to how business is done every day.

"For IP litigators in a boutique, that's why they go to work every day, but when you're inside working at a corporation that sells products and technology, business people don't care what IP lawyers do," said Hutter, who is now a chief IP strategist for The Hutter Group LLC. "They care about what IP does for business."

Businesses are coming to expect lawyers to align their IP advice with corporate strategy, but many outside IP attorneys are struggling to learn how to speak the same language as company executives and could lose clients if they don't start getting up to speed, according to attorneys and legal experts.

"Patent lawyers seem to be having difficulty going from being taskmasters to being business partners who implement business strategy," said Andrew E. Rawlins, chair of Foley & Lardner LLP's mechanical and electromechanical technologies practice.

In the past, companies may have protected IP out of habit, but now firms are demanding lawyers take into account their limited budgets to help them discern what IP remains consistent with their business goals and what IP doesn't, Rawlins said.

"People like to be served in a way that's easiest and most useful for them to do their jobs. Any service provider who can do this better is going to see more business than someone who can't," he said.

Part of the reason companies are seeking out business-oriented IP counseling has to do with an economy that is transforming from one based on traditional knowledge to one that is more interconnected and reliant on open innovation, according to Edna Vassilovski, former in-house counsel at grain and oilseeds company Cargill Inc. and a current partner at Stoel Rives LLP.

"Companies can't always have the best and the brightest," she said. "Big Pharma is expanding into biologics and is looking at small startups and universities outside its doors for new innovation. Research and development are thought of more virtually, not just solidly within its four walls. Companies are getting knowledge by buying and collaborating with others."

IP has also become a much more significant component in the valuation of transactions and may be the driving force in a deal, according to Rawlins.

“An IP attorney has to know how to talk the talk and work on a deal so it gets done without getting hung up on a low-risk, nonissue technicality,” he said.

Much more than just a product on a company balance sheet, IP now serves a critical marketing function, according to Vassilovski.

In the renewable energy sector, for instance, companies are involved in diverse fields, looking at different pieces of the problem and coming up with a host of potential solutions, she said.

“What can they do to attract attention? Why should someone bet on their horse and invest in their solution? It boils down to strategic IP,” Vassilovski said. “Lawyers need to show IP is strategic and supports what the company is trying to do. Lawyers who do not have the business sense or understand the business they are working for are not going to develop IP in a strategic manner that best markets the company.”

The problem is that many IP lawyers are not able to effectively communicate with corporate executives.

“Patent lawyers are from Mars, and business people are from Venus. Lawyers think they speak the same language as business people, but they don’t,” Hutter said.

She said lawyers spent too much time focusing on how a patent should be filed, how many claims should be brought in a case and how much money should be spent without considering a company’s long-term plan.

“They misconstrue business strategy as it relates to their job every day,” Hutter said.

In retrospect, Hutter said, when she worked as outside counsel, she was “spending money like a drunken sailor” and she relied on in-house counsel and R&D employees to find out where a company was headed, even though she really needed to be sitting down with the executives who were making the company’s three- and five-year corporate strategy.

“For those people interested in doing more than being very engaged in the prosecution process and desire to create value for clients, they have to hang out with the innovation and marketing people. Those are the ones who are telling R&D what they should be doing,” she said.

Because IP has grown more important for businesses, IP lawyers may be talking to a higher-ranking business executive than in the past and need to present information in a useful way, Rawlins said.

“If lawyers are talking about what’s novel or nonobvious, that’s meaningless to a business person,” he said.

“Business executives are saying, ‘IP is mission-critical to me. Let’s talk in a way I understand it so I know what I’m doing to make an appropriate decision.’”

Clients have given Rawlins’ firm feedback that they like when IP lawyers provide them with advice on how to make business decisions, offer less expensive alternatives and give a risk-reward analysis, he said.

While patent attorneys tend to do exactly what clients ask and then send a bill, now attorneys should be thinking about how to accomplish a task in the context of a transaction or business goal, and then offer a more efficient and cost-effective solution to get it done, he said.

“By offering the cost upsides and downsides, a client will respect that you’re a partner with them,” Rawlins said.

Vassilovski said IP attorneys needed to ask the right questions. Instead of solely asking questions on the technology so they can write a patent, lawyers also need to ask why the company wants to write the patent, what is the underlying business goal the company is trying to achieve, if the investment makes sense, and whether other arms of the company could harm the value of the investment, she said.

“I used to think of IP as a goal or as an end, but I came to realize that it is a means of achieving a goal,” Vassilovski said. “Now I get how a product can help a company succeed because I better understand how business works and how IP can be utilized to support a business’ success.”

But while IP lawyers need to be proactive to assist clients in supporting their business goals, businesses also have to be open to letting lawyers into their world, she said.

“With the right experience, lawyers can push in the right way. Businesses might not be aware of how IP lawyers can help them,” Vassilovski said.

However, lawyers may not be incentivized to focus on a client’s business interests when it conflicts with their ability to amass billable hours, Hutter said. For example, a client may want to pursue an appeal of a patent case, but the patent is not important to the client’s overall business strategy.

“If lawyers are going to be on the side of the client, they have to go to their client and let it know when something is not in its best interest,” she said.

Fear of the unknown can also be a demotivating factor, but IP lawyers will only be losing out if they fail to step up how they counsel clients, Hutter said.

“Lawyers have so many competitors that are less fearful and are going to take clients away from them,” she said. “Lawyers have to work harder than ever to keep their clients, and becoming a business partner is a way to do it.”