

IP Boutique Or General Practice Firm?

Law360, New York (April 07, 2010) -- This is a generalized review and comment on the changes in the practice of intellectual property (patent, trademark and copyright) law over the last half century or so, with particular emphasis upon what are now known to be intellectual property boutiques and general practice firms with intellectual property practices.

My background perspective is from 55 years of practice before the U.S. Patent and Trademark Office (USPTO) and in what would now be termed two successive (and successful!) boutique firms, each of which I co-founded.

IP boutiques and general practice firms practicing IP law should be of interest to proposed clients for one common reason, namely the selection of counsel with experience capable of handling the project at hand.



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IP boutiques have bulked up to be able to handle large litigations, but the most important person in any litigation is the particular attorney in charge of the litigation. The “first chair” is the captain of the litigation team who calls the shots about staffing of the litigation and handling the litigation.

Litigation is clearly the most profitable of the facets of intellectual property law for law firms and has been for the last 50 years; it is also the most professionally desirable activity, for people who are so inclined. However, patent litigation is the most dangerous element as well, if it is not done right and is particularly dangerous due to the unpredictable results at times obtained.

Although my experience has been entirely with boutique firms, I have had many interactions with general practice firms due to a close working relationship with one such firm which lasted 10 years, and from trying big cases with other firms after they backed out due to their lack of technical expertise. My experience has also been shaped by scores of inquiries and discussions concerning mergers of boutiques into general practice firms.

The Way IP Was Back in the “Old Days”

In the 1950's patents were solicited by patent attorneys, i.e. those individuals who had passed the patent agent's exam with technical or scientific backgrounds and were members of the bar. PTC law was a specialty practice engaged in only by firms whose partners were registered patent lawyers, i.e., could practice before the USPTO.

General practice firms usually avoided having any patent attorneys in the firm. During this period, I recall that there was only one general practice firm in the United States that had patent attorneys. The reason was that patent attorneys usually command higher incomes than general practice lawyers, and thus non-specialist firms were not interested in hiring a patent lawyer, since they did not have an established practice.

The various Bar Associations, to which patent attorneys belong, also referred to patents, trademarks and copyrights. The American Bar Association (ABA) and most of the State Bar Associations had a Patent Trademark Copyright section, to which patent lawyers and lawyers interested in copyrights and trademarks belonged.

The American Intellectual Property Association ("AIPLA") was then known as the American Patent Law Association ("APLA").

Of course everyone knows that patents protect inventions, trademarks protect trade identity and copyrights protect original works of authorship. A single government agency oversees the granting of patents and registering trademarks, while another U.S. agency oversees the registration of claims of copyright.

Typically, the workload mix between patents, trademarks and copyrights was for general patent attorneys to spend approximately 85 percent of their time on patents, 10 percent on trademarks and 5 percent on copyrights. There were a few firms in those days that restricted their practice to only trademarks or to only copyrights.

Litigation has always been the top rung of the ladder in professional development and fee structure, with the lowest rung being searching, research and clerking; and the next rung up being patent preparation, prosecution and related opinion work.

In the 1950's and early '60s there were very few patent litigations and the ones that did exist were typically handled by large New York firms specializing in patent litigation, such as Pennie, Edmonds, Morton, Barrows and Taylor; Fish & Neave; Morgan & Finnegan; and Kenyon & Kenyon.

In the 1960's and particularly going into the '70s, when appeals of patent cases all went to regional circuits, the first step in patent litigation was choosing a venue in a regional circuit that was friendly to patents. The first step for a defendant was moving to transfer.

In any case litigation was particularly long and onerous, and obtaining a judgment for the patentee and affirming on appeal was extremely difficult. Even after spending a fortune the damages secured were typically below a reasonable royalty. Thus, litigation was so disfavored that it was not a growing area, and at least one patent attorney started concentrating on trademarks.

Era of the Federal Circuit — IP Law Takes Off Like a Rocket

The Federal Circuit was created in 1982, ending all appeals of patents to the regional circuits. Decisions of the Federal Circuit breathed life into the patent system, restoring the validity of patents and particularly supporting significant patent damage awards.

General practice firms with savvy business managers took note of this development, and began to create intellectual property departments that were earmarked for handling patent litigation. (Prior to the 1980's, some

general practice firms had professed to have IP capability, which usually consisted of a single young attorney who had taken a course in trademark and copyright law in law school.)

In order to have a substantial patent practice presence many general practice firms approached and “merged” with IP boutiques. By the early 1990’s any IP boutique that had not been approached by at least a score of general practice firms seeking a merger with it was not worth its salt.

After the results of the Federal Circuit became known among the IP profession, especially in the patent litigation field, not only did the general practice firms start IP sections, the IP boutiques also began bulking up, adding attorneys enabling them to handle significant patent litigation workloads.

That is the situation today.

Fast Forward to the IP Present — Mergers & Hiring Decisions

Thus a potential client looking for an attorney to handle IP has a choice of going to a general practice firm or to a boutique firm — both of which have capability. Similarly, a young law school graduate starting in the profession has the opportunity of choosing between an IP boutique and a general practice firm.

In potential mergers between IP boutiques and general practice firms, the first thing to be considered is the prevailing culture, the second is conflicts, while the third and “clincher” is compensation.

Compensation is not that different between IP firms and general practice firms, even though IP firms’ billing rates are quite often lower for the same standard of experience, probably due to lower overhead.

Lawyer compensation at the entry level is about equal between IP and general practice firms. While the partner compensation may vary significantly from firm to firm, there is no clear trend that comes to my attention.

Synergy and cross-referrals are commonly mentioned as the beneficial result of IP boutiques merging into general practice firms. However, from my viewpoint this is a better talking point than end result.

A general practice firm once mentioned in a pitch with us that our IP boutique, if merged, could do all of their client’s patent work, and when it was pointed out that they had their own patent attorneys in a different city, their response was “we don’t trust them with our clients.”

The usual selling points of IP general practice firms are their depth of expertise in other fields and the number of attorneys that can be put on a case. However, I do not consider putting 11 attorneys, one for each patent, on a case involving 11 patents in the same technology to be cost efficient.

The selling point of IP boutiques is the personal handling of a client’s work and personal responsibility and billing practices which can be tailored to budgets.

From the standpoint of law school graduates interested in pursuing a career in IP, a significant decision is with whom they would take their first position — a boutique or a general practice firm.

Both have a great amount to offer; however, from strictly a personal standpoint, in a boutique a newcomer will get to know everyone in the firm on a first-name basis, something that would be impossible with firms having hundreds or even thousands of partners.

It stands to reason that it is a lot easier to terminate the employment of someone that you do not know, than that of someone you know by first name. A managing partner of a general practice law firm, when discussing management referred to his “pbu’s,” which he explained is a “portable billing unit” that could be moved from place to place or acquired or disposed of like machinery in a factory.

Whether you’re a wide-eyed newcomer or a seasoned veteran, change is the prevailing wind in the constantly evolving world of IP law!

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