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# The IP world: A place for firms of all sizes

“Over the past five years, we’ve seen more and more boutiques indeed merge with larger firms. But on the other hand some of the boutiques have still been very successful, and still remain quite strong.”

— Harry Roper, partner and chair of Jenner & Block’s IP practice

By Olivia Clarke

**A**fter working as a summer associate at both an intellectual property boutique firm and a general practice firm, Sandra Frantzen needed to pick which world to work in.

With a law degree and bachelor’s degrees in chemistry and environmental studies, she discovered that she liked how specialized an IP boutique firm could be.

The lawyers, who often possess technical or science backgrounds, can delve into specific intellectual property issues as opposed to skimming the surface, she said.

“At a boutique you really have an opportu-

nity to understand the technology, and to be intimately familiar with it. And personally, it gives a lot of value to the client,” said Frantzen, a shareholder at McAndrews, Held & Malloy, an IP boutique firm.

“When [handling] technology, a superficial understanding of that technology really isn’t good enough.”

Like Frantzen, many lawyers opt to combine their science degrees with their law degrees and practice at IP boutique firms.

Many Chicago IP boutique firms opened in the ’80s and ’90s, during a time when clients wanted lawyers who could understand the

technical side of their businesses. They usually couldn’t get this IP help at general practice firms.

Today many general practice firms see the value in having their own IP practices, and often employ lawyers with experience similar to those at IP boutique firms. Some boutique firms cannot withstand the competition and close their doors, while others remain very successful because they’ve created a niche for themselves in the legal market. These boutiques have become the David to the large firm’s Goliath and are successfully competing for IP business.





*George McAndrews, a founder and chairman of the board at McAndrews, Held & Malloy*

“As the corporations got larger and we entered into national and global economies, the ability of the boutique firm to keep pace required many of them to expand to what I now call ‘mega boutiques.’”

“General practice firms, in the past 10 years, have really improved the technical people at their firms,” Frantzen said. “You might have a very large firm, 600 lawyers, and an IP department of 30 people. When you have a boutique, you really have a lot more lawyers that have the knowledge and experience to help you with all your issues.”

### Changing times

The IP boutique firm model is from a time when the patent practice was viewed as a very distinct, very specialized realm, said Richard Gruner, director of the Center for Intellectual Property Law at The John Marshall Law School.

It made sense for firms to be organized around a patent practice, Gruner said.

But interest in intellectual property has grown. The patent area now intersects with other areas of business, and the broader legal world now pays closer attention to IP, he said.

Many large firms are now concerned when a piece of their clients’ affairs goes to another law firm, Gruner said. A large firm may merge with an IP boutique firm to keep its clients’ matters under one roof, and so it can integrate the firm’s business advice with its IP advice more effectively, he said.

But, he said, he believes there will always be room for IP boutique firms. Smaller- and

medium-size businesses that don’t have broad legal needs, but need patent advice, will want to stay with these firms.

Successful IP firms must provide the full-spectrum of patent needs, and handle such areas as patent prosecution, patent licensing and patent enforcement, Gruner said.

Patent prosecution involves the drafting of patent applications, and the shepherding of those applications through the United States Patent and Trademark Office’s patent application process.

“It’s a tradeoff between having a narrow specialization versus the importance of those other non-patent skills,” he said. “One can make a case that one or the other is more important.”

Robert Half Legal reported in its February survey that intellectual property ranked fourth in terms of practice areas that will experience the most growth in the next year.

Division Director Billie Watkins said there’s always a demand for lawyers with technical backgrounds in such areas as engineering and computer science, and especially in firms specializing in patent practices.

“I do see that there has been an expansion in terms of mid-to-large firms expanding their IP practices,” Watkins said.

IP boutique firms have had a wonderful run because IP has been hot for a long time, but the market has changed dramatically, said

Joel Henning, senior vice president and head of Hildebrandt International’s Chicago office. Many IP boutiques relied on patent prosecution for profitability, and that could be a problem in today’s market, Henning said.

“Some general practice firms are getting out of patent prosecution all together,” he said. “It is one of the areas of the law that is beginning, and I stress only beginning, to be outsourced overseas to India.”

A corporation’s general counsel may outsource the company’s patent prosecution, or the outside law firm may use offshore outsourcing, Henning said.

These individuals from India speak good English, are well-trained in both the law and in a science or technical area, and have the overall skills to handle patent prosecution. Their work may then be reviewed for quality and consistency by either the corporation’s inside counsel or by the outside firm.

“IP litigation remains very hot but because it’s so hot, the good general practice firms with high-end litigators have been very, very savvy about competing with the IP boutique for the most profitable IP litigation,” Henning said, “and they are increasingly successful at it.”

Many IP boutiques have been pretty complacent about their success in the marketplace so they’ve been slow to react, he said. As a result, they’ve lost clients and lawyers, and some have closed up shop.

“I would say, for IP boutiques that are managed in a very strategic way, they can survive and prosper,” Henning said. “But I don’t see many of them doing that.”

Roper & Quigg opened in 1990 to exclusively handle patent litigation. The IP boutique firm found success, but the cases were getting bigger and bigger.

It needed to bring in outside help more often to handle these cases, said then-name partner Harry Roper.

The firm decided to join Jenner & Block in 2004, and Roper is partner and chair of Jenner & Block’s IP practice.

He said he likes that larger firms have more resources, and a wider diversity of lawyers with a variety of expertise.

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firms,” Roper said. “But on the other hand some of the boutiques have still been very successful, and still remain quite strong.

“I think you are going to see fewer boutiques, but the ones left standing are still going to be very strong, well-positioned firms.”

## Adapting to the legal market

A strong IP boutique firm should offer patent prosecution, Roper said.

Smaller clients do not always have in-house patent prosecution capabilities, and many large firms do not focus on this area, he said.

“I think a lot of the smaller clients that have very, very limited inside resources may find themselves in a situation where they need a full range of IP lawyer expertise, particularly in patents,” he said.

“If they don’t have any in-house patent people, small clients like to use one firm to do that. I think boutiques will be attractive to those kinds of clients.”

Niro, Scavone, Haller & Niro started in 1976, during a time when big firms did not consider IP to be a premier field, said Raymond P. Niro, a founder and senior partner.

But Niro said interest in patents grew with the creation in 1982 of the U.S. Court of Appeals for the Federal Circuit — a merger of the U.S. Court of Customs and Patent Appeals and the appellate division of the U.S. Court of Claims.

This change piqued law firms’ interest in patents, in part, because significant dollar judgments soon followed, he said.

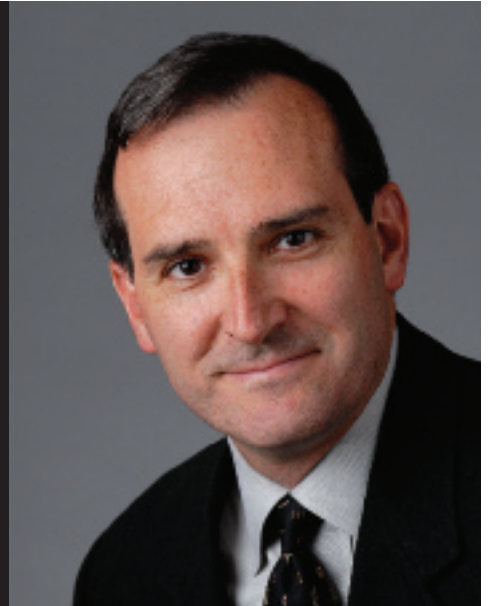
Citing *The National Law Journal*, he said IP litigation today amounts to the largest dollar value of all verdicts — ahead of contract, products liability, fraud, and medical malpractice litigation.

Patent infringement lawsuits cost, on average, between \$3 million and \$8 million in fees, he said, citing the American Intellectual Property Law Association’s Economic Survey 2007.

“Because it became a hot area, it attracted the big firms,” Niro said. “That changed everything significantly. It created a level of incivility.

“It used to be a sort of club where everybody knew everybody. It became more of a business-intense environment instead of a collegial environment with patent lawyers

“In whatever area you are working in, you have to have a deep expertise.”



Robert Gerstein, a partner and a member of the executive committee at Marshall, Gerstein & Borun

working together. It also brought people who purported to be IP lawyers but had no technical training.”

Some boutique and general practice firms have found a way to work together.

Large firms often recommend Davis McGrath when conflicts prevent them from handling the matter themselves, said Bill McGrath, name partner and associate director of John Marshall’s Center for Intellectual Property Law.

Davis McGrath, a 12-lawyer IP boutique firm that started in 1990, may work with a larger firm when the boutique has a particular expertise that the larger firm doesn’t have.

“They feel comfortable sending the matter to us,” McGrath said. “We aren’t going to walk away with the client, but we are providing excellent services.”

His firm has grown and become more sophisticated in terms of the type of clients it handles, but it wants to maintain a small-firm atmosphere, he said.

“I don’t want it to sound like partners at big firms don’t pay attention to their clients, but in some ways, with a smaller firm, more senior partners are probably more accessible than they might be at a larger firm,” McGrath said.

IP boutique firms enjoyed decades of success, but they must now change the way they do business because the clients’ needs have also

changed, said John Mortimer, managing partner of Wood Phillips, a 16-lawyer IP boutique firm founded in 1876.

“I think, more than ever, our assistance is required to allow them to make good decisions on their IP portfolios,” Mortimer said. “Our objective is to make sure every dollar achieves its maximum value.”

“Thirty years ago, a lot of companies were concerned about building patent portfolios without being as critical to what they were patenting. That was at a time when they didn’t have to pay maintenance fees to maintain patents,” he said.

“Now there is a need to bring out their portfolios and get rid of assets that are not of value or not going to bring value, and spend the money in areas where the future is more in focus.”

He said he’s confident that his firm will always offer a service that is in demand, but it must be offered properly. IP boutique firms must be flexible to their clients’ needs.

General practice firms face some challenges in entering the IP legal market, Mortimer said.

“The patent practice is not something that meshes perfectly with the general practice in the larger firms,” he said. “There are differences and they have to be accommodated for, and that is often difficult in a large-firm environment.”

When McAndrews, Held & Malloy started

in 1988, IP boutique firms were much smaller, said George McAndrews, a founder and chairman of the board. His firm began with six lawyers and today has 90. It adds between four and six lawyers each year.

“As the corporations got larger and we entered into national and global economies, the ability of the boutique firm to keep pace required many of them to expand to what I now call ‘mega boutiques,’” he said.

The use of juries in IP litigation exploded in about 1983, which created a greater demand for technically trained lawyers who can translate the language of an inventor into information a judge or jury would understand, he said.

Today his firm searches for people who are not only at the top of their law class, but also at the top of their engineering or science classes, he said.

“Many technically trained people become immersed in jargon that reflects their technical competency,” McAndrews said. “Lawyers, though, are communicators to people with minimal technical competency, and that requires an art form that isn’t present with merely technical people or non-technically trained lawyers.

“The boutique firms recognize this and their success or lack there of revolves around how well they can get this community of like-minded and like-trained men and women together to accomplish the common purpose of being advocates for their clients.”

### Creating a niche

Niro, Scavone, Haller & Niro, an IP boutique firm with 32 lawyers, has carved out a niche for itself in the legal market.

About 80 to 90 percent of its patent litigation is handled on a contingent-fee basis, Niro said. The firm realized there was a need for good lawyers to represent good people who cannot afford the legal process.

“That has opened up an opportunity to take cases that some of the big firms would not,” Niro said. “The contingent fee aligns the in-

terests of the lawyers and the client. If you are successful for a client you get paid, if you aren’t, you don’t.”

The firm tries to select cases very carefully, and receives more cases than it can accept, he said. It retains scientists and engineers who assist the firm in evaluating cases.

IP boutique firms can succeed in today’s legal market with a successfully executed business model that offers value to its clients.

“I like the idea that we can define our own path,” he said. “We have a focused area. We know and have the experience in doing this kind of work and we don’t go outside of it. It allows us the opportunity to focus on an area of the law and not have to worry about trends or directions and incompatible areas.”

There will always be clients who decide to work with a firm that has the expertise, as opposed to a firm that is a one-stop shop, said Robert Gerstein, a partner and a member of the executive committee at Marshall, Gerstein & Borun, an 80-lawyer IP boutique firm that was founded in 1955.

“In whatever area you are working in, you have to have a deep expertise,” he said. “If you are going to do biotechnology work, it is not enough that you have some people with some chemical background. You need to have people who are really knowledgeable in that area.”

Boutique firms must communicate to clients and potential clients the importance of hiring lawyers who work with their specific problems, specific business or specific technology on a daily basis, Gerstein said.

He said his firm looks for lawyers in the patent area, in particular, who “have a passion for learning new technology. And another thing we find that is extremely important for everyone is the ability to write well. What we do day in and day out is provide written work product for our clients.”

IP boutique firms need to be careful that they don’t put all their eggs in one basket, said Grantland Drutchas, a founder and managing partner of McDonnell Boehnen Hulbert &

Berghoff, a 75-lawyer firm founded in 1996.

Those IP boutique firms that ditched patent prosecution for litigation find that those models do not work, Drutchas said. And larger firms are swallowing up those boutique firms that banked entirely on litigation as their primary moneymaker.

His firm maintains a balance of litigation and patent prosecution, he said.

And with an almost exclusive focus on high-tech industries, including biotechnology and pharmaceuticals, telecommunications, computing and software, business methods, and information-age trademarks, the firm says its weathered the rise and fall of the economy by staying focused on the cutting-edge industries that drive production.

“We have a pretty diverse practice, especially for the Midwest,” Drutchas said. “We end up having a pretty extensive pool of candidates for lawyers. There are a lot of people who grew up in the Midwest, who went out and got PhDs, and are looking to come back to the Midwest. But there really are not a lot of firms that provide really high-caliber work for them.”

Drutchas said some general practice firms view their patent or IP group as a service group for the firm’s overall clients. Those lawyers aren’t expected to independently bring in their own clients, which can create a glass ceiling for them.

“When I started in law, which was in 1985, patent lawyers were really kind of looked at or referred to as the plumbers of the legal profession,” he said. “It was considered unduly technical. Even the litigation surrounding patents, most general practice firms didn’t want to touch it.”

Today, general practice firms, he said, “see it as one of the last bastions of bet-your-company litigation. When a company is risking losing an entire product line when accused of infringement, they are willing to spend a great deal of money. The general practice firms have seen this as a large potential revenue maker.” ■