The State Of The IP Boutique — Don't Forget Copyright, TM

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Law360, New York (April 11, 2017, 2:37 PM EDT) -- I read with great interest the **two-part series** about the state of the IP boutique written by Jorge Goldstein and Michael Ray of Sterne Kessler Goldstein and Fox PLLC. The **first part** laid out the historical financial and legal context of small patent firms, and the **second part** discussed the secret to the success of those firms that have survived and thrived. The series prompted a **rebuttal** by Charles Wieland III and Philip Hirschhorn of Buchanan Ingersoll & Rooney PC, who posited that the article lacked the broader perspective of general practice firms. I contend that both articles, while well-written and ably supported, overlook the importance of trademark and copyright practices and that many lessons can be learned from the new crop of IP boutiques.

I come to this viewpoint from an admittedly biased perspective as someone who has chosen to practice exclusively in a boutique environment. I started my career as an associate at Nims Howes Collison Hansen & Lackert LLP, a venerable trademark firm in its time. Harry D. Nims wrote the seminal treatise on trademark law before J. Thomas McCarthy came on the scene. The Nims firm had no real patent practice to speak of, so my earliest years in the profession lacked any real exposure to the patent side of the business. As a junior associate, I spent my days preparing legal briefs for trademark and copyright litigations, so the concept of law as a business was not something that had yet entered my mind.

But even as a second year, I could tell that the Nims firm had already seen its glory days, so I made the jump to Weiss Dawid Fross & Lehrman (now Fross Zelnick Lehrman & Zissu PC), a trademark powerhouse for as long as I can remember, to learn U.S. trademark prosecution. The move was somewhat prescient as the Nims firm eventually succumbed to market pressures and closed its doors. But why did a firm with such a rich history fall by the wayside? The reasons are many and varied, but one that stands out was its failure to prepare its talent to eventually take over the practice. Many of those attorneys were exceptional lawyers, but a successful law practice these days requires more than just legal acumen. Jorge Goldstein and Michael Ray recognize the importance of this lesson when they state that succession at their firm has led to a new generation of leaders and rainmakers and that this has played a crucial role in their firm's survival and growth.

Fross Zelnick stands in marked contrast to the Nims experience. The former has managed to thrive by maintaining its best in class standards and by scaling its practice to the point where it has room at all levels of the firm for people to grow. Many of the associates I worked with years ago are now partners in the firm, and it is gratifying to see them no longer as just junior partners but as part of the firm’s vanguard. The success of the

practice undercuts the claim of Charles Wieland III and Philip Hirschhorn that "the continued reduction of the number of IP boutiques compared to IP practices in general practice firms is not so much a boutique vs. general practice, as it is the increased need for a sophisticated practice that has sufficient depth of bench." There are few, if any, firms that have as sophisticated a trademark practice and as deep a bench of talented trademark lawyers as Fross Zelnick. Indeed, the large size of many general practice firms can often belie the fact that they have a thinner rank of dedicated IP professionals than at many boutiques.

Because of its rigorous standards, Fross Zelnick was a great place for me to learn and grow, but I eventually chose to move to a firm with a patent capability, so I joined Ostrolenk Faber Gerb & Soffen (now Ostrolenk Faber LLP) with any eye toward building a partner-worthy book of business because, at least at the time, there was an undeniable synergy between the patent and trademark services offered by the firm. Standard fee schedules included both and clients often sought advice on their new inventions and the brands under which they hoped to sell them, and therein lies a critical oversight in the "State of the IP Boutique" series: Trademark and copyright services are essential to keeping patent clients happy and giving them less cause and incentive to look to general practice firms. While not the "one-stop shops" for all a client's given legal needs that a general practice firm can boast, boutiques can offer solutions to all IP-specific needs under one roof without the premium for non-IP services baked into the cost.

My practice diversified and my book of business grew so that I eventually made partner, but that elevation also provided me with a clear sightline of several new challenges that I would need to navigate to continue that growth. On the one hand, a firm with an established infrastructure can continue to routinely bring in work and service clients cost efficiently, especially a firm with a long and celebrated legacy to attract business. On the other hand, almost any established firm will have a certain amount of institutional inertia and resistance to change which can limit the growth of the practice. Legacy investment in everything from law libraries to billing and docketing systems can weigh down the ability of a firm to thrive. Even maintaining the same location can have its downside if the firm is not willing to explore and analyze better alternatives. While it used to be necessary to have an address in Manhattan or another top-tier locale to attract clients, the unrelenting rise in lease rates has made that an increasingly untenable position for IP boutiques, which, as Goldstein and Ray note, have been squeezed by their clients to adjust their price points accordingly. So, while Ostrolenk Faber had outlasted others and survived for almost a century, I knew when I saw an announcement in the International Trademark Association Bulletin about a new firm in White Plains, New York, that an opportunity was again presenting itself to grow my practice.

When I joined Leason Ellis in January of 2009, the firm had only four other attorneys. David Leason and Edward Ellis had left Darby & Darby just eight months earlier to launch their new firm. Their vision was one of capitalizing on the natural resources afforded by Westchester County, just to the north of Manhattan. They opened shop a block away from the U.S. District Court for the Southern District of New York in White Plains, New York, a short train ride away from the sister courthouse in Manhattan. The location offered all the benefits of proximity to talent, lower costs than the city, and an inviting place to practice law which differentiated it from the innumerable firms in New York City.

That vision was borne out as slowly but surely the firm began to grow. The real boost to acceleration came in the spring of 2010 when Darby & Darby, one of the oldest IP firms in the U.S., unexpectedly dissolved. As an offspring of Darby, it was only natural that many of their attorneys and staff would choose to join us when the firm closed its doors. Suddenly, we had patent luminaries such as Mel Garner and Michael Sweedler and trademark all-stars like Paul Fields and Karin Segall join the team. Today, we have almost 30 attorneys, and we have built out additional space to handle future growth.

The fact that we witnessed the end of Darby & Darby also gives us firsthand perspective on the trials and tribulations of trying to modernize a historic IP practice. As Darby & Darby tried to keep up with general practice firms, it ended up spreading itself too thin. It opened other domestic and foreign offices which were difficult to manage and expensive to maintain. It also ended up building out a new modern headquarters at the 7 World Trade Center, which opened just as the recession took a hit on its business. Possibly the best lesson to be learned from the fall of Darby is that IP boutiques should stick to their knitting and not try to emulate or compete with the big-firm model. Wieland and Hirschhorn rightly point out the general practice firms with deep benches of litigators may be the place to go when IP disputes are a bet-the-company or bet-the-product line proposition. The reality, though, is that a sophisticated prosecution and counseling practice can often help clients avoid litigation in the first place and the number of "winner-take-all" disputes that make their way to trial is disproportionately small. IP boutiques (and their clients) should also appreciate that general practice firms have a difficult time emulating the flat fees for routine prosecution and offering the lower billing rates for counseling and routine litigation that dedicated IP firms provide.

Goldstein and Ray acknowledge that while many old-line IP boutiques have disappeared, there are new ones arriving every year, but they go on to state that such recent IP boutiques do not have any survival lessons to teach until a decade or more has passed. I disagree; the experience of firms like ours can be very instructive.

A key driver in our success has been to balance out the various aspects of our practice. For example, we have built out our litigation practice to support our growing client base. This has required significant investment in talent and technology, but it also means that while we may not win beauty contests for bet-the-company litigation, we are fast becoming a formidable adversary able to handle almost all other IP disputes. And a firm that is not dependent on yearslong, multimillion-dollar litigations is more likely than not to look for a way to settle the case on terms which would please the client and keep the relationship intact and ongoing.

That same approach to balance applies to other parts of our practice. In addition to having patent and trademark practices stand on equal footing, we strive to handle work for clients of all sizes and our position as a boutique allows us the price flexibility to accomplish that goal.

Firms like Kenyon & Kenyon were purportedly reliant on a handful of large companies for the lion's share of their revenue. This is a recipe for disaster when those clients are lured away by general practice firms. It also disincentives associates and junior partners from bringing in small clients, which is a necessary step in developing a viable practice. I started bringing in a token amount of work as a first year and steadily grew my client base in numbers and dollars, something which would have been difficult, if not impossible, to accomplish at a general practice firm.

A healthy IP practice should also try to give equal weighting to domestic and foreign practice. The firm that neglects to develop relationships with foreign associates cannot serve its domestic clients with international IP services and the firm that becomes dependent on incoming work from abroad will have a difficult time sustaining those ties when it is unable to reciprocate with foreign filings. Even if located outside the city, today's IP boutique needs to bring an international perspective to the practice. Next month's annual meeting of the International Trademark Association, which is being held in Barcelona, Spain, and where we will be well represented, underscores that viewpoint.

No mention of trademark practice would be complete without mention of the copyright side of the business. While there are some highly specialized firms that handle only copyright matters, particularly in the entertainment industry, most trademark practitioners like me handle some measure of copyright work. There, too, a small amount of work can make a

meaningful difference in profitability. It also rounds out the IP practice so that the boutique firm can hold itself out as handling all matter of IP work. With the patent system under strain, the ability to handle so-called soft IP also acts as a hedge against further pressures.

In conclusion, Goldstein and Ray stated that the more diverse we are in practices, in industries, in offerings and in people, the better our chances of success. The definition of practices and offerings should be broadened to encompass trademark and copyright prosecution and litigation. It should also include the ability to service clients of all sizes and no matter where their IP needs may lie geographically. And by looking at the success of not just the survivors, but the newcomers as well can one fully appreciate that the IP boutique is here to stay and to do so on its own terms.

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