Strategic IP Management: Reality or Myth?

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“We’re lost, but we’re making good time”

-Yogi Berra

“I hate being lost and don’t care about making time”

- Randy Hillson

“They were more than lawyers, they were human beings”

- From a TV add for a law film

“We don’t do these things because they are easy, but because they are hard”

-President Kennedy (paraphrase)

In Search of Strategic Intellectual Property Management: Myth or Reality?

I. Introduction

A brief scan of "attorney bios" for almost law any firm professing to have a substantial patent practice will show that many patent attorneys, some with only modest experience, are willing characterize themselves as skilled in "managing patent portfolios." However, the necessary tasks of "portfolio management" are rarely discussed, explored or critically evaluated. Here a consideration of "patent portfolio management" is undertaken, including an examination of what such management does or should involve, and how it can be implemented to facilitate clients' needs.

It is also popular to assert that the "intellectual property management" offered by the attorney or law firm is "strategic," or conducted in "strategic partnership" with the client. An issue explored herein, is the meaning of "strategic" in the context of "strategic intellectual property management."

In this review, focus is on patent portfolio management. The principles discussed can, in many instances, be applied to all types of intellectual property issues and considerations. However, in this author's experience, relatively difficult issues are often presented with respect to patent considerations at least due to such factors as: the relative expense of managing patent estates and issues; the unforgiving nature of the patent law when it comes to modifying approaches mid-stream; the long time needed for a patent estate to fully mature; and, the difficulty of coordinating business, marketing, engineering and legal efforts while maintaining a consistent approach.

The present evaluation was developed from the Author's practice experiences and evolved from an initial paper by the same author entitled "In Search of Intellectual Asset Management" appearing in IAM magazine in May 2004. That paper, which was drafted in the form of a communication to a CEO seeking a law firm partner for strategic intellectual property management, can be found at: http://www.merchantgould.com/CM/AttorneyProfiles/attachments/48.pdf.

II. Strategy versus Tactics

In our search for strategic intellectual property management, it is important to have a concept in mind as to meaning of the term "strategic". In discussions and communications regarding business decision making, the terms "strategy" and "tactics" are often tossed around as if there is common understanding as to the meaning and differences between these two, even when there are many who would argue that all decisions are a combination of strategy and tactics, and that there is no clear distinction or reason to distinguish.

For purposes of this evaluation, without asserting the two considerations are mutually exclusive, the two following observations are used for evaluating whether a patent issue is primarily a matter of strategy or of tactics.

Strategic Considerations: Processes for determining what is the best or ideal direction for the company to go with its patents (intellectual property), to support business direction.

Tactical Considerations: The process of determining the best actions to be undertaken to implement the best or ideal direction(s) identified by the strategic considerations.

In my own practice, I began to focus on strategic versus tactical considerations when posed some years ago with a particular type of client question. The request was for me to consider the difference between "doing things right" and "doing the right things". Understanding the latter, the client suggested, was an issue of evaluating strategy, whereas he felt the former was generally an issue of tactics.

A tool useful in evaluating the question of whether strategic considerations or tactical considerations are the focus, is to consider the level at which the problem is being considered. A high level, say 50,000 foot level, is a level at which one considers the overall business issues of the client including asset allocation, return on investment, business risk, etc. At this level, we are considering the overall import or potential import

of the intellectual property activity (patent activity) being evaluated. A more tactical level, say a 1,000 foot level, is a focus specifically on the patent application or claims under consideration, and what are the next steps to be taking in advancement of patent prosecution. At this lower level, we are not specifically concerned with the 50,000 foot issues, as long as we know that our decisions are limited to potential activities that serve the 50,000 foot level strategic considerations.

III. Recognizing the Presence or Absence of "Strategic" Intellectual Property Management

Under the above-definitions, our search for strategic intellectual property management begins by asking whether there are considerations in place as part of the process that tell us whether the patent issues are pursued with respect to the best overall business considerations, and whether these considerations are being communicated. What is needed then, is to check to see that the intellectual property is indeed being molded properly to support strategic business objectives.

Simply put, if the strategic business objectives are not defined, then the intellectual property activity can hardly be molded to support it. Indeed, in such a situation the issue of having the patent portfolio molded to squarely address strategic business issues is a matter of random chance. Also, even if strategic objectives are initially considered, if the business changes those strategic objectives, during the course of the patent portfolio development, there may be a disconnect developed between the patent direction and the corporate strategy direction. Thus, another sign that the IP portfolio management is not strategic, is the absence of any periodic review of strategy.

Following the above, it can be fairly straight forward to tell when strategic considerations are absent in intellectual property management. The following list provides some such indications:

1. When the same amount of money is budgeted to each patent application, strategic considerations are likely absent. Logically, certain directions warrant more investment and other directions warrant less, depending on the strategy for the product directions or business directions involved.

2. If decisions and information regarding the product direction are not updated and reviewed, the patent process cannot include a determination of the extent to which a patent approach can and/or does support continue to support that product direction.
3. If determination of product direction involves obtaining convenient clearance positions based upon assertions of competitor patent invalidity, the process is not strategic unless the decision making at least involves consideration of: (a) the costs and risks associated with potential assertions of infringement; (b) the likelihood of the competitor strengthening its position; and; (c) the viability of alternate approaches with respect to clearance and protection, given the likely down road costs/risks associated with the current preferred choice.
4. In evaluating alternative choices for a new product line or direction, did the business management take into account: availability of patent and related protection; the extent to which that protection would meet expected competitive challenges; clearance issues; timing issues related to the time period needed to put intellectual property protection in place in the regions of interest; and, the extent to which the direction can be supported by already existing filings? Did the intellectual property managers provide reports on these topics for consideration by the business manager in making decisions regarding product directions? The absence of such analyses is, of course, an indication of the absence of strategic intellectual property management.

IV. A Hypothetical Business (We Corp.) for Consideration with Respect to Intellectual Property Management Issues

The principles and techniques evaluated herewith, and the resulting recommendations, can be applied to any of a variety of types of businesses, sizes of businesses and types of intellectual property estates. However in this study, the issues are presented in the context of a significant patent estate, since this can provide the most difficult challenges.

Consider a business that is in some fashion organized into multiple groups or divisions, for purposes of management. Not all intellectual property investment decisions

are made by the same person and/or at the business level in this business. Rather, different individuals are at least partly responsible for the business decisions concerning intellectual property, depending on the topic. This hypothetical company is referenced herein as "We Corp."

Assume that We Corp. has a number of different products, and the same patents do not apply to all of the products. Further, a number of different patents or patent applications may relate to a given product. In some instances, a patent may support business activity in more than one We Corp. group or division.

We Corp. engages in manufacturing, sales and distribution. Some if its developments do not relate to advantageous product features so much as to one or more of: advantageous manufacturing techniques; product features that result from advantageous manufacturing techniques; advantageous packaging; manufacture of product and packaging from advantageous materials; advantageous product or packing disposal; customer preferences; shipping issues; and/or various cost and margin issues. Assume We Corp., has a general preference to maintain details regarding its specific manufacturing techniques secret to the extent possible.

The products of the company can be divided up into at least three general areas or directions. The company is also divided into engineering, marketing and product manufacturing support. The We Corp. patent estate reflects: general R&D developments; and, products and product features and manufacturing features relating to various product areas, with multiple products within each of the product areas.

We Corp's management is divided into division or group managers, who direct product development, research, manufacturing and distribution activities for products of that division or group. Each group manager is accountable for budgets, P&L statements, etc. concerning that group's efforts. The managers report to senior management, who have overall responsibility for We Corp., including business level accounting, profit/tax issues, etc. Day-to-day decision making regarding patents do not generally reach this senior management level, unless: an accusation of infringement is involved; a public dissemination of information is involved, such as a press release; or, there are current issues concerning costs and budget overruns. There may or may not be a legal department involved in patent prosecution issues, depending on the group and the

availability of legal personnel within the company. However, there is always legal department involvement in litigation or contested matters.

In the past, We Corp. developed about six new concepts per year, for which patent filings have been authorized. Not all are under the same management.

We Corp. often files a provisional application followed within a year by a U.S. and PCT application. The reasons for both U.S. and the PCT application include that typically the company prefers to start the U.S. prosecution moving forward without delay, after one-year from provisional filing, since the US is its primary market. Typically the company national stages the PCT application in into multiple jurisdictions, with the average being four from among: the EPO; China; India; Japan; Brazil; Mexico; Australia; South Korea; and, Canada. With some products and inventions, more extensive filings occur. The foreign prosecution is sometimes to protect market share outside of the US and sometimes to help protect the US market share against infringing imports.

We Corp. prefers to begin with provisional applications, at least because often its inventions are modified after concept but before manufacture and the modifications may render the application unnecessary or to require modifications. The early filing dates provided by provisional applications help We Corp. with respect to prior art issues, customer issues and competitor issues. It is also helpful in avoidance of providing manufacturing detail in the disclosure, since the application is typically prepared before manufacturing line detail has been fully developed. The delay before filing "examined" utility applications provides for considerations of changes in the claim set direction, priority and/or disclosure, before fees are paid.

With respect to any given U.S. filing, there is typically at least one divisional/continuation; the term "divisional/continuation" being used here to refer to a second filing of a same priority document, typically conducted as the parent is about to issue. These are sometimes referenced as "continuing" applications, without an indication being made as to whether they are "divisionals" or "continuations," as the terms are sometimes used.

Typically, given the EPO rules of filing all divisionals by two years after the first Office Action, We Corp. often files at least one European divisional application. Reasons

for this include that in many instances the deadline for filing an EPO divisional comes up before the company has fully determined: the scope and extent of EP patent protection available; the scope and extent of EP market success with respect to products involving the patent; and, the extent of EP competitor activity or efforts that relate to the patent. Divisional filings in other ones of the national stage countries are also often typical, but in many instances they are somewhat more delayed. Thus, the issue of continuing filings often arises first in connection with the EP.

Under the above, after only about six years from the first year of any patent filings, We Corp. will be managing at least: six provisional applications; 30-40 U.S. patents, of which about 5-10 will be issued and another 5-10 will be continuing files; 6-10 PCT applications; and, 20-30 national stage applications outside of the US including some divisionals.

There are at least three different managers within We Corp. who have responsibilities for different ones of these patents, and each would like to understand, at any given time, at least: the content of patent estate of interest to that manager; the costs associated with that portion of patent estate; what products or processes the patents cover or are likely to cover; and, what competitor activities, if any, are being addressed by each. It would also like to understand the effect of any changes made in product direction or strategy, in terms of the effect of the patent portfolio; and, whether making changes with respect to the patent portfolio can support the changed product strategy.

We Corp. has a number of major competitors with which it is concerned at any given time, and those competitors are also "intellectual property savvy." At least one of the competitors in this model is generally a "me too" company that copies its competitors to the extent possible, and tries to offer analogous products at lower costs. At least one competitor is very similar to We Corp. in terms of development of its product lines and related patent estate. At least one competitor is a company that is much larger than We Corp. and has many more divisions and product lines, most of which do not compete directly with We Corp.

After about six years, the patent estate is costing We Corp. about $250,000-$300,000 per year and is growing. All of the charges are being directed to We Corp. from a single law firm. If we break down the charges, we find that about $80,000 is in

fees charged by that law firm for its services, and about $130,000-$220,000 is pass-through charges either from a government, or from foreign counsel in another country. This cost outline is only for the prosecution or management of the patents. Issues relating to clearance evaluations, validity evaluations, etc., with respect to competitor activities, are additional, and can fluctuate substantially from year-to-year.

We Corp. does occasionally engage in litigation, and in any given year there is at least one adverse matter being worked, whether it is a lawsuit, a pre-lawsuit evaluation or a negotiation regarding a possible patent conflict.

In any given year, We Corp. is involved in at least one opposition in the EPO and expects at least one "opposition" per year in the U.S. in the future. At the present time, We Corp. is spending about $30,000 per year in EPO oppositions, much incurred by foreign counsel activity. The amount spent on oppositions is expected to increase substantially: as U.S. oppositions begin to occur; and, the product lines and patent portfolios expand.

At least once every five years, We Corp. purchases assets that include patents. This may be through acquisition or merger, or simply be by a patent acquisition arrangement. Typically, each time such activity occurs at least 1-5 new U.S. patents are added to the portfolio, and in some instances added product areas along with additional managers are involved.

Starting seven years into the process, We Corp. currently is spending $400,000-$600,000 total per year on patent applications, prosecution, maintenance, negotiations, oppositions, and opinions. This is independent of litigation, which adds considerable cost. The costs are increasing exponentially, as the company grows and expands, with no end in sight. The company needs a way to manage costs, and has repeatedly said so.

The "costs" associated with patents have the attention of the senior management of the client. We Corp. has required a discount with the law firm as a percentage of the law firm's attorney fees, in order to continue to retain this account. The discount is likely to save the company about $10,000-$25,000 per year, with respect to patent preparation and prosecution. However, many of the rising prosecution expenses now come from government fees and international associates, and are not subject to the discount. Further, the client has grown substantially. The number of patent applications and the number of

different divisions or subdivisions within the company are growing. Also, the number of middle managers is growing. In short, the "costs" are only going to increase, regardless of the discount.

V. Budgeting

A. The Need for a Budget

In the past, We Corp. has had no intellectual property budget. The company is unpleasantly surprised at the end of each year when it adds up the total amount it has paid to the law firm. Each year, it assumes the amount that it spent the previous year would be about the amount it would expect to spend the next year, in spite of the above factors. Thus, it believes the increase is the "fault" of the lawyers. The business managers have no clear concept of the amount of the overall intellectual property expenses that are attributable to their past decisions.

To the law firm, the client appears to have two personalities. On the one hand, We Corp. regularly asks the law firm to provide legal services associated with patents. On the other hand, at least once a year We Corp. complains bitterly about the previous year's costs for the various intellectual property activities that it specifically requested and authorized. A budget is needed.

B. What Would a Useful Intellectual Property Budget Look Like?

In searching for the presence of strategic intellectual property management, a sign of its presence is the IP budget. Alternately stated, the absence of a budget is an indication that strategic management not occurring.

Some general indications of budget activities include the following:

1. A next fiscal year budget needs to be presented to the client when the client is in its own fiscal year business budgeting process, which will be about 1-2 months before the end of its fiscal year. Do you even know your client's fiscal year? Did you provide an IP budget for the next fiscal year?
2. The budget needs to accommodate the bookkeeping approach of the client, as opposed to the billing approach of the law firm. For example, if the budget is

based upon when the firm sends the bill as opposed to when the client accrues the expense, the budget may not reflect the accounting approach of the client.

3. The patent budget needs to be broken down into useful sub-groupings for the client. The budget needs to show a break down for the different business units or groups at the client, so that each group can do profit/loss and margin considerations.
4. Within the business groups, if there are different technology areas, product areas etc. the budget should be broken down to reflect these logical sorts.
5. The expenses projected in the budget should be separated between those fees based on timekeeper charges at your law firm, and those costs which are either government fees or pass through costs from foreign associates. We Corp. should be in a position to understand, as the portfolio builds, how much of the total costs are its attorney's fees, and the extent to which obtaining a discount from you, or changing law firms, can actually affect the budget.
6. The budget should be periodically reviewed and updated. For example, about four months into the fiscal year, you should be able to provide a modified budget that shows what has been "accrued" so far, and what the projections are for the remaining eight months. As the final quarter of the fiscal year approaches, the budget should also include considerations of which charges can likely be deferred into the next fiscal year, if directed.
7. Getting into the final quarter of the fiscal year, you should also be able to show, in updated budgets, those fees and expenses that can possibly be shifted from the next fiscal year into the current fiscal year. This may be a desirable activity for We Corp., depending on its accounting and tax issues. In identifying possible expenses to shift from the next fiscal year forward into the current fiscal year, consider identifying national staging of existing PCT applications; conversion of existing provisional applications to US and/or PCT applications; filing of planned continuing applications; and, in some instances, responding to office actions early. Often the more useful activities are to advance are the National Stages and the conversions, since they are typically "larger ticket" items that can be moved forward to affect the next

year's budget substantially. However, be careful of initiating still further changes in the next fiscal year by advancing something into the current fiscal year, at least without client consultation.

8. The budgeting information should be collected and organized in such manner that alternate sub-sorts as periodically requested by the client are possible. For example, a group manager may wish to see the expected IP expenses relating to Japan protection, for a particular product line or technology direction. The information should be collected in the overall budgets in such a manner that, if requested, such a sub-budget can be arranged and presented in a relatively straight forward manner. Another manager may occasionally request a total protection expense report (accrued costs versus future fiscal year expected expenses) for a particular, specific, technology direction. The budget information should be sorted and sub-sorted such that the attorney can rapidly identify which files are relevant to the inquiry and present such a sub-sort.
9. Of course, as part of the development of the original budgeting process, and presentation of the initial reports, discussions with client should be undertaken to determine what format is desired for initiating the process. The budget will be of no value unless it is organized in a manner agreed to by the client as useful.

C. What Should an Intellectual Property Budget <u>not</u> Look Like?

To be useful, the budget should at least reflect the issues, points and recommendations of the above section. In this section, a brief review is made of often used techniques that are not be usable as a strategic budget tool.

1. It is not a strategically useful budget approach to add up the total costs of the client for a given fiscal year and then to add 10% (or some other %) to it and then use that as the expected costs for the next fiscal year. Not only is there no basis to believe that is an accurate cost projection tool, but it is of no use with respect to decision making at any given time for any given investment.

2. Provision of cost estimates for any given project, as costs come up on the docket, is not useful as a strategic budget. Budgets are used for overall long-term high level decision making with respect to future expectations. If all that is reviewed by We Corp. management is accruing costs and expected estimates for the next step in the process, toward the end of the fiscal year We Corp. could well find that it has used its available money for less important items and does not have sufficient funds readily available for the more important and relevant tasks, simply because those more important and relevant tasks did not come up on the docket until the last two months of the fiscal year.

D. Preparation of a Budget

The budget process needs to be fairly straightforward to implement, so that large expenses are not associated with preparing the budget, and preferably so that much of the budgeting activity can be conducted by staff members, without the need for substantial attorney input and the costs associated therewith.

There are undoubtedly an infinite number of approaches to budgeting available. Ones used by this author have generally been able to predict fiscal year expenses to within 10% and often within 5%, using basic budgeting/accounting approaches, even when the account involves a great many active items.

A budget is not a file-by-file, task-by-task estimate. Estimates are hard enough to develop for any given task, once that task is fully defined. It would be virtually impossible to accurately define specific task estimates for each one of many files 12 or 14 months in advance. Further, attempting to do so would require large amounts of time in individual file review.

Whatever budgeting approach is used, it should be discussed with the client, so that the client personnel involved understand what the budget is and is not. For example, the client does need to understand that many of the costs estimated within the budget are not "quotes" for the tasks involved. If the client wishes quotes for any given tasks, it can obtain them as the tasks come up, not in the budgeting process in which broader, earlier, more sweeping estimates are being made.

As the budgeting process is implemented, it should be discussed and reviewed with the client for adjustment to satisfy the client's needs. If it appears to be inaccurate, a review should be made of why and whether modifications need to be made in the budgeting process to increase its accuracy.

Do not "pad" the budget. That is, do not put into the budget estimates of fees and costs that you have no reasonable expectation will be incurred, simply because you are uncertain as to the activities that will come up during the next year. Use a reasonable, predictive model, and discuss with the client that unexpected items or unexpected difficulties with identified items, are not intended to be specifically budgeted. You and the client can make "corrections" to address this, if you wish, once the actual budget is understood.

Determine whether the client wishes you to put in estimates for projects not yet defined, for example for a certain number of new future patent applications that might come up. If there is a project you expect to be on the horizon, based on current information, include it in the budget. However do not assume the client will ask for a certain number of projects of a given type, unless you have agreed that the budgeting process should include such estimates. When you do include estimates for such "phantom" projects, they should be identified and preferably isolated in the budget.

You should seek to develop a budgeting approach such that the much of filling out the budget can be managed by staff, rather than involve attorney timekeepers. One approach successfully used by this author, is to treat patent files as a population and develop rules for which type and status of file will have what type of expense. With this model, the budgeting process is driven by the docket. If the docket shows six PCT applications to be National Staged in the next fiscal year, an estimate for a typical National Stage for that client can be used for each of those files, even though the client may not have yet determined whether it even will National Stage the file, and if so, in what selected countries. The "rule" to be used by the staff member in filling out the estimate for that PCT National Stage can be agreed upon with client, and written into the footnotes for the budget.

One can also use average estimates as to when activities will occur. For example, it is currently unlikely that a typical, non-expedited, US patent application will have

substantial prosecution expenses in its first year of filing. While there may be some Information Disclosure Statement work, and Missing Parts work, it is not likely there will be substantive examination until at least the second year and perhaps the third. Thus, if the budget includes, as line items, filing date and docket date information, the staff member can be given direction as to what figures to put into the budget for what types of activities, in that given fiscal year, based on the docket.

E. Advantages of a Budget

In the presence of a well organized budget, good advantageous and strategic decision making is more feasible:

1. The client can balance expected future patent investments in particular product or technology areas versus the expected benefits, i.e. return on investment for that technology area and/or region.
2. The client will not be "surprised" at the end of the year, when total costs are reviewed. The client will have seen projections of the costs and seen what activity generated the costs. Indeed, the costs will have been expected and approved.
3. The client can see the fees for the individual attorney working on the file, as a percentage of the total costs involved. This will help the client understand what affect discounts, changes in attorneys or changes in law firms will have on the total cost.
4. When individual action items are reported and discussed, the client can refer to a budget to determine whether the activity appears to be on budget or if the past budget considerations need to be modified. Further, it can be reviewed for how much a selected decision from a variety of choices is likely to affect that business manager's fiscal year budget.
5. The client can make strategic decisions about which matters to advance and which matters to defer, in order to manage budget issues while maintaining the overall strategic picture. This is more difficult to do if the client is simply looking at docket correspondence, and not a complete picture.

VI. A Framework of Other Activities Indicative of Strategic Intellectual Property Management

In the absence of budgeting, the costs associated with a substantial intellectual property estate cannot be understood and accepted by the client. Further, decision making regarding priorities for investment directions within the portfolio, with limited funds, is not possible in the absence of a budget. It is apparent, then, that the absence of a budget is evidence of the absence of strategic management.

However, the budget is only one tool. Other communication tools and activities are needed if individual file activities are to be conducted in a manner consistent with business strategy. In this section, communication tools and activities beyond the budget are considered. Again, the absence of these is indicative of a process that is not strategically managed.

A. Definition of Strategic Objectives

From the very start, there needs to be a general understanding of the strategic objective(s) of We Corp. at issue, with respect to any given patent activity. This will be a critical factor in deciding the amount of investment appropriate for the IP activity (patent), as well as the scope and content of the disclosure and claims. The application should be drafted in accord with this identification of objective(s), and there should be agreement among the counsel and the business decision maker regarding this. The inventors' positions may be less critical, unless the inventors are part of the managerial process. That is, the inventors' desires for the disclosure content and breadth may be different than the disclosure or breadth needed to manage the business unit strategy for the application. It may, for example, cost less to meet the business unit objectives than it does to meet the inventors' desires for a multiple topic disclosure. Indeed, there may be a complete disconnect between the perception of the inventors as to what they did that is important; and, the perception of the business as to what it is about the development that is important to prevent others from doing. The patent application, then, cannot be well written as an investment vehicle, unless the business strategy is explained and understood.

Once the business strategy is understood, future communications regarding the file need to return to the business strategy and objectives, and review the extent to which those objectives are being met or are still possible. The client should be triggered to provide an indication if the objectives are changing as the patent process proceeds.

Periodically, and especially at critical decision (i.e. investment) points, the business objectives need to be reviewed and updated, to determine whether the application remains on an appropriate course. In addition, if prior art input or other input suggests that the original objectives cannot be fully achieved, the extent to which the original objectives may have been undermined needs to be reviewed for determination of future investment.

B. Background Information Reporting

There should be a report style that identifies the relevant technology, product or application family, and provides for: a clear understanding of the subjects involved; the global status; upcoming deadlines; a cross-reference to products; and any other information We Corp. and/or you generally want as background. A one or two page format for a given file should be used, in a manner organized and repeatedly used so that it does not need to be created from scratch with each communication and so that the client becomes very familiar with looking for the information in that format.

This report can be crafted to include cross-referencing to other files that are of significance with respect to the overall strategy. It can also include cross-referencing to various products that are known to the attorney, and preferably includes phrases that are often used by the client to identify the invention, product area, etc.

C. Correspondence Format

1. Business Unit/Technology Sort Involved

The correspondence should show prominently the business unit or subunit involved. Thus, a sub-sorting of the client matters between each of the business or management units is desirable, so the management of each unit can easily review all of

the matters at issue. This can also be correlated with the budget sorts, so that the client can review what budgeted activity is involved.

2. Indication of Strategy

Correspondence should indicate, as a preliminary issue, exactly what the attorney's current understanding is regarding the corporate direction with the invention and seek updated information regarding whether the corporate direction has changed in some manner. Pictures are worth a thousand words. Thus, if possible, a current picture of what the attorney understands the product etc. to be should be used in the communication, to show what the attorney understands is the product direction, and to show the client what product(s) are understood to be involved. If the attorney is not aware of a use in a product or product direction involving the invention, this should be stated. The client should be required to correct the information or expect prosecution to go forward with costs but without a proper attorney understanding of import.

3. Cross-referencing to Related Files

Cross-referencing among key potentially related matters should be part of the communications. This will help the client understand where this particular file and set of claims fits in the overall strategic portfolio. The client may need to be reminded that this application is not the only application related to a product direction, or that the product direction has actually changed to a form shown in another application etc.

4. Consider both the Immediate Recipient and the Ultimate Receiver

The correspondence needs to be organized in a manner such that it can be readily used by the direct recipient, to immediately make a decision or to disseminate information where needed for decision making by others. Thus, the correspondence needs to be in a form not only understandable by the contact with whom regular communications occur, but by other persons in the corporation (for example management decision makers) who may be less familiar with the intellectual property issue at hand, or even the principles of intellectual property generally. It may be desirable to make some statements in the correspondence that the attorney is fully aware the immediate recipient

already knows, to ensure that persons beyond the immediate recipient will have this background as well.

5. Substantive Content

The correspondence preferably will specifically identify, when possible: what specific issue is at hand for decision; what input is sought; what the timeline is for receiving the input; the relevant background information; and, what the costs are for any recommended direction. Of course it needs to indicate how the recommended activity supports the understood strategic objectives.

6. Portfolio or Sub-portfolio Reports

The client may wish to periodically receive some overall status information regarding patents, based more on a product or portfolio area approach, as opposed to merely a docket or file number approach. A format needs to be selected, so that over the years as portfolios expand, patents evolve, products modify and managers' interests evolve, a given format can be used as a basic tool to support decision making. Such reports should be tabular, brief and indicative of key points. Once a format is chosen, based on "test sampling" with the client, it can be expanded and maintained as deemed appropriate with the client.

VII. Some Typical Non-Strategic Approaches to Patent Prosecution

In our search for strategic intellectual property management, there are some sign posts we may notice along with way that are indicative that a non-strategic approach is being used. In this section, some of these are reviewed.

A. Original patent application Considered "Perfect", Correspondence is Brief and Without Strategic Objectives Review

A common approach to patent prosecution is to make the assumption that the original patent application, which may have been written 2-5 years before the current Office Action, was "perfect" in original disclosure and claim approach. By "perfect" in this sense, it is meant that the original independent claim was exactly what was needed

and desired for the product and product direction; the product strategy has not modified in any manner; the competitors have not begun to respond with design arounds and will not; and, the understanding of the prior art and how it would be interpreted by various patent offices around the world has not changed since the time of writing.

With this type of communication approach, the Office Action is only briefly reviewed, perhaps just to note regarding which claims are indicated as allowable and which are rejected on art.

The attorney sends a brief report to the designated contact at the client. It identifies the application by title and file number, may include a copy, provides a copy of the Office Action and explanation of the due date, and observes that some claims are indicated as allowable, some rejected etc. It includes a request for direction to develop a response.

An instruction is received. It tells the attorney that the client disagrees with the Examiner's interpretation of the art, asks the attorney to develop an argument in accord with those disagreements, and to provide it for review before the deadline. The attorney takes the information into consideration, develops the proposed response and provides it to the client for consideration. After some minor editing, the response is filed.

This author has conducted no study to evaluate the frequency with which this type of correspondence in prosecution occurs. It is believed that it may be quite frequent. In any event, it is devoid of meaningful strategic updated considerations, since strategy was not identified or discussed.

B. Fixed Fee Approaches

The client decides it needs to manage its future costs. It explores "fixed fee" prosecution approaches. It takes bids from a number of law firms on the cost of preparing any given patent application, sight unseen. It begins to understand there may be some more complicated and some less complicated inventions and, therefore, creates a "tiered" system. There will be a first, fixed, lower quoted fee for applications perceived as shorter; and, second, fixed, higher fee for applications perceived as larger and more complicated. As to prosecution expenses, it has put up for future consideration a concept that fixed fee approaches will be used here as well.

There is nothing strategic in this approach. When the same investment is directed to different applications, there is an assumption that each warrants the same investment. However, some inventions warrant more investment and others less.

The issue being raised here is not an assertion that some inventions are harder to describe than others, and warrant different amounts of investment and specification. The issue is that some inventions are more closely tied to important strategic objectives than others, and thus warrant more investment. The problem with the "fixed fee approach" is that it assumes that each invention is equally worthy of investment, which is not the case when strategy is considered.

C. The "Record of Invention over the Wall" Approach

In some instances, a record of invention drafted by the inventors is "tossed over the wall" to the attorneys by the client contact with a request to interview the inventors and then to write and file a patent application within some identified time. After the interview is conducted, the application is drafted and reviewed with the inventors, and filed. The application is reported to the client.

This process is devoid of meaningful interaction with the client regarding the business objectives for the invention. What is being met is the inventors' perception of what was important about what they did, rather than any good understanding of the likely business direction, competitor objectives, etc. It will be pure luck if the application winds up covering that which is needed by the business. It may, however, well reflect the inventors' perception of what was important about their work.

VII. Examples of Strategic Considerations in Patent Practice

In the previous section we reviewed common examples of non-strategic approaches to patent application and preparation. In this section we observe how some simple strategic considerations can modify practice.

A. Initial Patent Application Preparation

A record of invention is provided to the attorneys, along with a direction to prepare a patent application. The assumption is that prior to the direction to prepare an

application, there has been some form of management consideration as to whether or not an application should indeed even be filed. Let's consider some of the potential strategic reasons for filing the application:

1. We Corp. does not have any current plan to implement a product in accord with this record of invention. However, it looks as though it might be of interest to someone at some point, and We Corp. thought is would be a good idea to get something on file. Also, We Corp. has an incentive system under which the inventors and their management are rewarded as patent applications are filed, and/or We Corp. likes marketing or investment communications to indicate that it is an innovative company with a "proof" being, in part, the number of patents.
2. We Corp's strategy is basically defensive. It does not think it can get sufficiently broad coverage to be of great competitive value to We Corp., but it would like to make sure the basic concepts are published to prevent others from getting patents in this specific direction in the future.
3. We Corp. is going to show the product to a potential customer. Even though We Corp. has a confidential agreement with that customer, it cannot be sure that it will be fully honored. It would like to have a filing that reflects the invention prior to the disclosure.
4. We Corp. is about to order the tooling to manufacture the product. The product detail is now set. We Corp. wants to prevent others from effectively competing with respect to the product. The meaning of "competing" is discussed in detail as part of the process.
5. Although the record of invention discusses specific product features, the product itself does not offer great advantage to the end user over currently available competitor products. The advantages are that We Corp. has organized the features in such a manner that the product is inexpensive and relatively easy to manufacture, with good quality control. Thus, if the protection is coordinated to those advantages, We Corp. will be able to compete not by offering a better product, but by offering one that was made

for less cost and that can either be sold for less or in a manner providing higher margin or both. The ROI, however, references the features but not this strategy.

6. There really isn't much value in this invention at all. However, one of the inventors is a manager of the technical group involved, who wants to have an additional patent/patent application for résumé purposes.
7. Actually, in order to practice the invention, one would need a license from a competitor, "They Corp." The invention is an improvement in They Corp's product for technical and/or cost reasons. Thus, We Corp. hopes to establish some balance with They Corp. to facilitate cross-license considerations and scenarios, or to exclusivity in a more advantageous practice once They Corp's patent expires in 5 years.
8. We Corp. has a consulting relationship with independent contractor "I am Smart." If this contractor develops an invention while working for We Corp., We Corp. has first choice in filing a patent application. If We Corp. does not, the invention reverts to I am Smart.

It should be apparent that depending on which one ore more of these or various alternative situations is present, the application may take on a significantly different look. The content of the disclosure, the scope of the claims, and the issues facing the patent writer may vary considerably, from situation to situation. In addition, the relative investment needed for the application may vary substantially. Also, the relative scope of international filing(s) may also be varied. These issues should be taken into account when the initial application is drafted. If they are not, the process is not strategic.

Significantly, the above points out that the appropriate costs for a patent application not only vary by the "complicated nature" of the record of invention, but by the commercial (business) strategy for the invention. Some of the scenarios above warrant a brief/lowest cost approach to the application, whereas others may warrant substantially greater investment in the application's scope, definitions and detail, without regard to how complicated the description.

Of course, strategic issues cannot be taken into account if the patent writer has no understanding of the strategy for the application on the front end. Indeed the application may (and often will) be a mismatch to the strategy, if strategic considerations were not identified and discussed.

B. Reporting Advancement Toward the Strategic Objectives

Once the strategic objectives for the application are understood, future assessments should include, as a component, the extent to which reaching the strategic objectives appears feasible. For example, it may become apparent during the process of preparing the application that the identified objectives cannot be met; i.e. a scope of patent claims cannot be obtained which is sufficient to fully justify the application, given the objectives. This may be an issue of disclosure definition. It may be an issue of prior art limitations; etc. In any event, as the process moves forward, it is not justified to keep advancing an application (and the costs associated therewith) if it is apparent that the client's strategic objectives cannot be met by the application process in the direction it is proceeding. Rather, the client needs to be informed of this so that it can reconsider its business approach and the extent to which it can be supported by the IP investment at issue.

If we assume that at the "front end" process of preparing the application, no information comes forward that suggests the objectives cannot be met, and the application is filed, a next step in our consideration is how to file in such a manner that supports the objectives.

C. Considerations in filing an application with respect to supporting strategic objectives.

One size does not fit all. For example, it could be that in some instances the client needs the earliest possible understanding of the likely scope of protection available in a selected country. Let us assume, for example, the most important consideration to the client is learning (as soon as possible) the likely scope to be allowed in the EPO.

A practice of filing a provisional application in the U.S., filing a PCT application one year later, and filing an EPO application 2 ½ years after the original provisional

filing date, is not calculated to obtain the desired information with respect to the EPO as soon as possible. It might be facilitated by having the search at the PCT level conducted by the EPO, if the claims are crafted in a form likely to be perceived as "clear" under current restrictive EPO practice. However, this might require a narrower PCT claim set than desirable for global purposes.

A tactic more calculated to support the strategy, might be, after obtaining the priority date of the U.S. provisional application, filing an EPO application in short order, with claims modified for EPO practice. Of course, this might assume that the client does not intend to further modify the invention within the next year, etc. Expedited processing can be used to further facilitate an early understanding of the EPO's position with respect to the invention.

Of course, there are at least as many potential approaches, as there are situations and scenarios. The issue is one of understanding the business and business objectives with respect to the invention, and outlining and defining a tactical approach to meet them.

D. Office Actions

With a compass heading defined by strategy, Office Actions are tools which tell us the extent to which the strategic objectives can be obtained. Even though the invention may be quite patentable in some form, the prior art obtained in the Office Actions, and the positions identified by the examiners, may tell us the extent to which the objectives can or cannot be reached. Reporting the Office Action alone is not, however, sufficient to ensure a review of this important issue. The Office Action needs to be reported along with a comparison of the original objectives to the now likely obtainable scope. If the original objectives to the application cannot be met, it may be that a most desirable approach is to abandon the application or allow the patent to issue with only a narrowly defined scope to minimize prosecution costs.

It is important to note that if such decision making is made at the prosecution stage, the information needs to be transferred to the levels of the client appropriate so that misunderstandings regarding the scope and direction of the patent, and the extent of coverage, do not occur. This will not be the case unless the correspondence record has adequate characterizations of the issues and questions, and adequate dissemination.

E. What if the Client's Objectives Change?

Even if the application as originally filed was a perfect companion to supporting the objectives, it may be that after filing the client's objectives for the application change. For example: the client may have decided to not go forward with implementation of the invention in a product at all; the product design may have changed from the time of the application; something originally thought of low value not may be perceived as important; and/or, competitor activity may have raised issues. If this information is not developed as part of the prosecution record with the client, then prosecution costs will likely be wasted. Indeed, without consideration of modifying objectives, the ability to obtain the "right" scope of coverage in the patent will be a matter of pure chance.

F. Anything worth doing is worth doing well (but not necessarily better than needed)

Strategic intellectual property management goes beyond merely improving the match between the corporate business objectives and the applications. The issue is also meant to support cost control by ensuring that the appropriate amount of investment is made for given inventions. In this manner those inventions that warrant greater investment obtain it, and those that warrant less investment get less. The object is to avoid directing more resources to more problematic applications merely because they are more problematic, but rather to direct resources where important for business strategy.

VII. Some Issues that Can Corrupt the Process

In practice, there will never be a "perfect" identification of strategy, or perfect communication and understanding with respect to strategic issues. It is helpful to be aware of those factors that can corrupt the process. That is, it is important to understand factors that can influence the process away from a perfect match between strategy and tactics.

By the term "corrupt" in this context, it is not meant that the factors are necessarily improper, unethical or illegal. It is simply meant that the factors are real and exist, and thus can influence communications, decision-making and identification of

objectives, etc away from ideal. An awareness of these issues can help an individual or company manage the process to the strategic objectives more effectively.

These "corruptions" are sometimes difficult issues to identify, admit to, or even discuss. However, at least some level of consideration of them is appropriate, if the process is to be strategic.

In this section, some of these topics are briefly identified. Various ones may be more or less important in a given situation and should be explored as needed.

A. The broadest possible patent is not equal to the most strategically crafted patent

There is often an obsession with claim or disclosure scope. It is easy to understand this obsession since broader claims tend to cover up issues and broader disclosures support more claims.

However, it is undeniable that a strategy that always focuses on writing the broadest possible disclosure and obtaining the broadest possible claims has its own risks and problems. For example:

1. An overbroad disclosure, that includes characterizations and detail not relevant to the objectives at hand, may wind up as the most significant prior art to a later patents by the client.
2. Broad claims are the most subject to validity challenges. If a narrower claim would have satisfied the client's basic business objectives, and the broader claim, although apparently obtainable in prosecution, subjects the claim to attack in opposition/litigation, or to disrespect by the competitor due to positions of invalidity, it may be that the broadest possible claim is a mismatch to the objective.
3. It is generally more expensive to obtain the "broadest possible" claim. Prosecution is prolonged and more difficult in many instances. Thus, the question remains whether the added scope was worth the added prosecution time and expense.
4. Prolonged prosecution means extended record. The written record in prosecution can often be used as a weapon against the client, by others

working against the patent. Simplified prosecution with somewhat narrower claims of adequate scope may provide for more option.

5. Merely relying on dependent claims from the broadest independent claim to identify the "best" claim scope is not always good. Excess claim fees may result, and in some patent offices/tribunal/courts, there may be a tendency to disrespect the entire patent once the independent claim is positioned as invalid. This may also be the case by competitors reviewing the patent for competitive purposes.

B. Tendency to Solve Problem with the Expertise of the Personnel Involved

Without conducting a survey or study, this author offers for consideration an assertion that a consultant/advisor tends to offer approaches to problems that involve application of the skill sets or resources of that consultant/advisor counselor. To simplify, a law firm will tend to suggest solutions to a client's problems that involve using services of the type offered by that law firm. Patent prosecutors tend to approach problems by offering more patent prosecution rather than less. Litigators tend to approach problems by offering litigation support or conflict support services. Opinion writers tend to approach problems with a competitor's patents, by offering to conduct analyses of the type within their skill set; i.e. validity/invalidity studies and/or design around studies, etc.

In some instances, this tendency may inhibit the ability to find a best solution to the problem.

C. The Inherent Conflict between the Outside Counsel and the Client

A little discussed issue, is the inherent conflict between the client and the counsel. Simply put, the counsel's income stream is more positively affected by recommendations to perform services, rather than recommendations not to perform them. The more legal problems the client has, financially the better off the outside counsel is until the client can no longer afford the services.

This problem can be exacerbated by law firm internal metric used to evaluate attorneys for income and bonus considerations. If there is some form of score-keeping

system involved in which: the more patent applications or patent files that are opened and/or the more opinion files that are opened etc., the more likely the attorney is to advance financially, then a corruptive influence is involved.

D. The Client may have its own Internal Issues

The client is not without its own internal corrupting issues. Decisions on what product lines or inventions to promote may be based on factors other than a pure analysis of the relevant business and technical pros and cons. For example, a particular product approach, among many, may be favored because it is a "pet project" of the business manager. It may have intellectual property warts, but those may not have been balanced well by comparison to alternate approaches as the business makes the decision from among its various choices which to promote.

The manufacturing and marketing arm of the client may see a particular competitor's product as highly advantageous to mimic, as opposed to developing a true design around, given the demand in the market place and the likely near term sales levels to result in a short period of time. This can cause substantial pressure to obtain a "clearance" position in spite of warts or problems, especially if the decision maker's bonuses/income/position turn on the annual growth in sales or manufacturing of the group involved. Delays in business growth or expansion that would result from needing to develop alternate competitive products or alternate manufacturing approaches may be undesirable relative to the perception of securing and obtaining a "clearance" opinion and moving forward in the short term.

There is the apparent client, and then there is the real client. Clearance opinions often do not result in an assessment that no legal issue will be raised by the proposed direction. Rather, they identify the legal issues and result in an assessment of risk. The business group management may decide that, because the attorneys identified a product direction as "clear", it is perfectly willing to move forward. However, if the allegation of infringement arises in the form of a law suit and a related negative press release, the highest management level of the company may not find that the decision making was acceptable.

IX. Some Concluding Thoughts

The above is a first step in a series of considerations relating to development of intellectual property strategy. It is an outline of issues, techniques and considerations this author has used, in determining whether a process of patent preparation, prosecution and management is being conducted in a strategic manner, to support client business objectives. The intent is to stimulate thought in the area, by offering the types of considerations relevant to evaluating whether a process is conducted in a strategic manner or without serious strategic considerations.

This is only a first step in the process of thoughtful exploration opened with the introduction section above. Issues this author hopes to explore in follow-up considerations relate to: competitor watches and strategies; decision tree approaches and how they can be used to support the process; approaches for managing large data collections; specific communication tools and forms; and, approaches to helping the client develop its business to strategically integrate intellectual property considerations, as opposed to seeing them as separate legal costs challenges and issues.

Strategic Litigation Management

Minnesota CLE
IP Institute
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Using Project Management Techniques to Support Strategic Litigation Management

Attorneys think of themselves as learned professionals, and indeed we are. However, we have too long considered ourselves unique in the business world. With pressures on corporate America ever mounting – pressures to make the quarter, respond to shareholder needs, and compete in a global market – we as a profession need to fall more in line with the standard business processes, rather than buck them. One example of where and how we can provide better service to our clients is by employing sound principles of project management to our litigation events.

What is Project Management?

Project management is a discipline to help achieve a specified objective using a given set of resources (usually time and money). Project management may go back in time to the building of the pyramids. In modern times, the middle of the last century is perceived as a watershed time for project management. The Manhattan Project, which undertook the creation of the atom bomb, was reported to have employed project management techniques. Many tools have been developed in modern times, such as Gannt charts and software programs, to aid the project management process. As we look to improve litigation management, there is much we can learn from the field of project management.

What is a Project?

All projects have the following characteristics:

- They are one-time discrete matters, as opposed to repetitive, recurring business events;

- They seek to achieve a specific objective as their goal;
- They have a defined start time and end time;
- They are complex and have numerous activities;
- They have limited resources, in terms of people, time and budget.

How does that description not fit a lawsuit? It does! As a business event, a lawsuit is simply a project that typically is delegated to outside counsel for execution.

Characteristics of Well-Managed Projects:

- They have a project manager
- They have milestones
- They have frequent communication touch points and employ techniques to ensure that the project objectives are met within the budget constraints and timeline.

Lifecycle Stages of a Project:

- Initiation;
- Planning and design;
- Execution and construction;
- Monitoring and controlling;
- Completion.

Employing the Principles of Project Management to Support Strategic Litigation Management

In-house counsel may find themselves invoking the vagaries of the litigation process to explain unexpected litigation events to their internal clients. The litigation

process indeed has some unique qualities, the primary one being abdicating control of the resolution of a dispute to a third-party fact finder, either judge or jury. Predicting outcome is thus difficult. However, while the ultimate decision is often difficult to predict, the *process itself* can be controlled and managed. Business people do not understand why we lawyers portray litigation as such a mystery. I believe it is time to do a better service to our clients by taking a page from our MBA colleagues' book, and employing project management techniques to more strategically manage litigation. It is a fair criticism for a business person who manages the complexities surrounding a new product launch not to understand why we lawyers cannot better predict events in a single given lawsuit. Strategic litigation management is a tool by which we can be more responsive to our clients and impart more timely, well-considered advice.

Employing strategic litigation management techniques will require changes both for in-house and outside counsel. For in-house counsel, this process may change not only your counsel selection criteria, but also the way in which you interact with outside counsel, hopefully for the better. How will this occur? When sued or seeking to sue, in-house counsel often seek a lawyer with a "big name" a "good courtroom reputation" or one who is a "gifted orator." This is the art of counsel selection, and can be an effective means to manage the merits of the dispute, but does little to manage the business side of the event. Considering that 95% plus of cases settle before the courtroom battle ever occurs, by selecting the great orator, decision-makers are selecting for the 5% event rather that the event as a whole. Granted, that 5% can be the most important element

(it is verdict time, after all), but one must ask whether guarding the most critical 5% is being achieved at the expense of the other 95%?

Managing a lawsuit works much better with litigation teams that contain at least one lawyer who is an excellent project manager. This may not be (and likely will not be) the gifted orator described above. It may be a strong second chair or even a more junior team member.

The Role of the Project Manager

Complex litigation should have project managers both in-house and on the outside counsel team. Typical roles for these individuals are described below.

In-House Project Manager

The role of the in-house project manager is to attend to the following:

- Ensure that business managers are timely apprised of the key events in the litigation;
- Ensure that business managers are timely apprised of the merits of the dispute and the probable outcomes and probabilities of those outcomes;
- Ensure that the business managers are timely apprised of the initial budget and any changes to the budget for the lawsuit; and
- Ensure that outside counsel are staying on task and working within budget.

Outside Project Manager

The role of the outside counsel project manager is to attend to the following:

- Ensure that the in-house project manager receives an initial Case Plan and budget;

- Ensure that the Case Plan and budget is periodically reviewed and updated and that the in-house case manager is timely informed of any changes;
- Monitor progress and report whether the case is proceeding in accordance with the Case Plan and apprise the in-house project manager of any changes to the project status or probabilities of success on the Case Plan; and
- Inform the in-house project manager of any obstacles in achieving the case objectives, any changes to the status, and any changes to the budget and the reasons therefore.

For outside counsel, having a project manager on every litigation team potentially will change how you communicate with your in-house counsel client. Positive changes your internal business client should notice may be:

- More information flows to the client on "auto pilot" without the client having to seek updates;
- Communication will more systematically occur;
- Upticks in budget, project delays or hurdles will be identified and communicated sooner than they are presently; and
- Outside counsel will be more in-sync with internal business reporting requirements and will be better supporting in-house counsel with periodic updates.

Characteristics and Role of a Project Manager

The in-house Project Manager likely has litigation management as a stated and recurring job responsibility. The outside counsel Project Manager is likely to vary with

any given lawsuit. In selecting the right person to be the Project Manager at the outside counsel site, what are the key characteristics that should be considered?

- Leadership Ability – The Project Manager will help design, coordinate, control and implement the Case Plan and will be involved in motivating and inspiring the outside counsel team to keep them on task and accomplish the project objectives.

- Technical Ability – The Project Manager needs sufficient technical ability to fully understand process steps and requirements to effectively execute those steps, and needs sufficient experience to be able to estimate probabilities of success associated with given activities in a lawsuit.

- Good Communication Skills – The Project Manager will be involved in frequent communication with the in-house Project Manager and with the outside litigation team.

- Ability to Multitask - The person in this role is sitting in the hub of the wheel and must be able to manage complexity within a dynamic environment; needs to understand delegation, make appropriate choices for assignment of work, and must be able to swiftly shift priorities to adapt to the dynamic environment.

What is a Case Plan?

The first step in any major lawsuit should be to develop a Case Plan. A Case Plan is essentially the outline of the lawsuit, including key events that counsel believe will define the lawsuit. In developing the Case Plan, the strategic objectives of the client must be determined and memorialized. Speaking in computer software development terms, the Case Plan would be the Statement of Work. Once developed, a Case Plan should be periodically and systematically revisited and revised, and the client should be apprised of any significant changes in schedule, work plan or budget. Further, the Case Plan can be used as a tool by which the in-house Project Manager communicates any

changes in strategic direction for the lawsuit based on changes in strategic plan of the business.

Setting the Initial Budget

Developing the initial Case Plan and budget will provide an excellent opportunity for in-house counsel and outside counsel to establish overall direction for the case. Without specific direction, outside counsel likely will approach each engagement with a similar level of energy and effort. However, some lawsuits warrant enormous effort and expenditure of resources, and others do not. In some, the amount at risk may be so great that nothing but a no-holds-barred approach may be appropriate. In others, the business may be willing to accept greater risk, as, for example, in a contested matter involving a product that already is planned for phase-out. Occasionally, the priority of the matter shifts mid-event and needs to be adjusted. The Case Plan and Budget is one mechanism to get everyone on the same page concerning case priorities and costs, and also serves as a useful tool if the initial assumptions change. It is also a means by which in-house counsel can gain an understanding of the internal client's business needs and objectives as they relate to the litigation, and by which the internal client can be accurately apprised of the likely costs of the event. Most business leaders are accustomed to managing risk and weighing uncertain outcomes once they are apprised of min-max parameters. Most are equally uncomfortable with managing surprises, or unforeseen events. The Case Plan and Budget will help to frame the lawsuit early on and will help to minimize the chance of surprise.

Further, for in-house counsel who manage multiple litigation events, the employment of a standardized approach to budgeting across all matters can aid in understanding which law firms are providing the best value for the services rendered. Absent a standardized approach, it is often difficult to make an apples-to-apples comparison across outside counsel firms. If the budgeting is sufficiently granular, it may also be used as a tool to determine over time how much on average the company spends on a given event, such as a discovery motion.

Change Orders /Deviations/ Budget Overruns

Many formal projects, such as custom software development, work from a defined Statement of Work, for which management approval is needed to make a change and approve additional funding. In formal project management, there are frequently documents that require managerial review, approval and signature before any change can be implemented. While likely not a formalized process, "change orders" and "additional budget expenditures" are something upon which we as outside counsel should obtain our client's review and advance approval. We often engage in such a process in an informal way today. For example, if a litigation team is struggling to keep up with the pace of the work during a particular period, the lead partner may conclude he or she needs to involve another associate in the matter. This is essentially a "change order" that will require "additional budget allocation" and is a material change for which outside counsel should obtain pre-approval from the client. In most lawsuits, there is no mechanism to stop the lead lawyer from adding personnel to a lawsuit, but it is poor

form to have a client first learn of this decision when the invoice for the following month is sent.

Use of strategic case management reveals changes that are impacting the Case Plan, budget, or timing of a project, and allows outside counsel lead time to inform the in-house client and obtain his or her approval for the change/deviation/additional expenditure in advance of committing to the action that produces an unanticipated charge.

Term of a Project

In a typical project, the term of the project and project timetable is determined in advance, and may change if the objective cannot be met within the allotted time, or if management changes the scope of the project. In litigation, federal courts have case management techniques that pre-determine a case schedule. The parties are compelled to achieve the milestones addressed in the Scheduling Order, and the judge is available to enforce timing, so it is rare that a deadline is simply "missed" as it might be during a software development project. Because of the court-imposed deadlines, it is easier for litigation teams to adhere to timetables than it is for others working on projects in a business setting. However, timing of a lawsuit frequently is affected because the Court's schedule cannot accommodate an event at the anticipated time. This is especially true when trial of a complicated civil matter is anticipated in federal court, as it necessarily gives way to certain pending criminal matters on the judge's docket. Because timing issues and budget issues interrelate, a delay in timing can (but should not necessarily) cause an increase in budget. As stated earlier, this issue can be

addressed through the Case Plan, where the new timing can be reflected and any resulting additional costs due to the delay can be reflected.

Lessons Learned/Post Mortems

When a lawsuit concludes, it is a useful practice to engage in a Lessons Learned or post mortem with the constituents. The Case Plan plays a useful role in this practice as well. Viewed with the benefit of hindsight, it is easy to determine which decisions reflected in the Case Plan worked well (from either an outcome or cost approach) and which did not. At this stage, the Case Plan serves as a statement of what assumptions were employed and will help remind the constituents of the path taken at critical milestones. From there, exploring the reasons why an issue did or did not proceed according to plan will provide insight to both in-house and outside counsel. This learning can then be applied to future matters. For example, a review of a Case Plan and Budget at the conclusion of a matter may reveal that costs ran 25% higher than anticipated, and that most of the overrun was attributable to e-discovery costs being higher than anticipated. With that information in mind, in-house counsel can take corrective action in the next matter, by increasing the cost estimate for e-discovery, or by instituting certain internal process controls that will help reduce the cost of e-discovery.

Some of the most savvy companies with whom I have worked have a systematic "after action" review process to analyze significant litigation events. The analysis is captured and memorialized and provides an important tool for continuous learning and

improvement. A systematic look back at the lessons learned is an important tool in the strategic litigation management process.

Conclusion

We lawyers can improve the service we provide to our clients by becoming more in-step with business processes. Project management is a discipline from which we can learn and apply new techniques to litigation management. Use of project management techniques will necessarily drive litigation events toward a more strategic management of litigation. This practice will create a greater flow of information to our in-house lawyer clients, and will in turn enable them to provide more accurate and timely advice to their internal business clients.