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# To outsource or not to outsource: how to decide

**The relationship between rights holders and lawyers – whether in-house or part of an IP firm – has been transformed in the last few years by technological developments and shifting attitudes, causing some rights holders to question how best to manage their portfolios**

The IP world has changed significantly since many of us started as trademark practitioners, whether in-house or as external trademark attorneys in IP firms. Paper files have been replaced by the cloud. Trademark offices now carry out much of their work online, offering online filing facilities directly to consumers. Trademark registers around the world have become much easier to access, while the Internet makes it more straightforward to ascertain whether a trademark is being used.

Overall, the IP world has become much more transparent. Law firms need to be able to explain their leverage-based fee structure better, while clients are demanding a personal and proactive approach from their outside trademark attorneys and – a continuing trend – at lower rates. For law firms, many of which were established years ago, these developments remain challenging. It takes time to adjust to a more transparent world: not only to the new, more commercial mindset that needs to be developed by each IP attorney, but also to adjust internal IT and financial systems to this digitalised mode of working.

However, there is also a positive side to all these developments, which offer many new opportunities for rights holders and trademark professionals working in IP firms. This article focuses on opportunities for rights holders – namely, companies that own a relatively substantial IP portfolio. First, the advantages of in-house portfolio management are compared to the advantages of outsourcing IP portfolio management. Second, relevant developments both in industry and within IP firms are described, followed by some observations as to the best strategic solutions for both rights holders and IP firms.

## **Advantages of in-house portfolio management**

An important advantage of dealing with your IP portfolio in-house is the fact that all knowledge about the portfolio and its history remains within the company – including confidential information – provided that the data is professionally stored and easy to trace. In some IP firms attorneys are regularly moved around, meaning

that rights holders lack a consistent contact who has been involved in the portfolio from the start and who knows the history and the way that the rights holder wishes to run the company and its IP portfolio. More importantly, the historical background of why some decisions were once taken remains within the company. Past mistakes can be avoided and decisions that turned out well can be repeated in the future.

Reports to senior management can be drafted quickly in accordance with the rights holder's own internal guidelines and processes. Amendments can be introduced easily if the requirements of upper management change.

Moreover, in-house IP departments control their own deadlines, work processes and (internal) guidelines. It can save time to be in direct contact with local IP firms all over the world, without using an external IP firm as an intermediary. Deadlines are usually known sooner and can be better anticipated. Sometimes communications are easier when there is no IP firm in between – it does at least reduce the risk of miscommunication.

## **Advantages of external counsel**

An external attorney who practises only intellectual property while working for various clients in different industries offers the obvious advantage of deep legal knowledge and vast experience in many different areas of intellectual property. An experienced trademark attorney who has worked on big international accounts will likely have a solution for every problem that a rights holder might encounter, regardless of territory. This advantage comes into play when a company intends to expand its business outside its home markets. Knowledge of how to best protect and enforce IP rights in, for example, Asia, Africa, the Middle East or South America can be invaluable for European or US companies which are new to these jurisdictions and have not yet experienced all the possible difficulties. External IP firms are usually experienced in these territories, through either local subsidiaries or an international network of agents.

Such a widespread network of agents is beneficial to the external IP firm's clients. As IP firms usually work with many different agents throughout the world, their large network is an advantage. Despite the preferred supplier system advocated by larger firms, this remains a people business and agents throughout the world prefer to work with people they know and trust. If you work with different agents, there will be differences in quality, speed and fees. It is easier for IP firms to move to another local firm than it can be for an IP department. IP firms have the power to make demands,



given the large amount of work they send. This bargaining power also means that they can negotiate competitive fees, which can be passed on to their clients. In addition, they will know more than one firm in a certain country. IP departments send only their own work abroad and usually cannot rely on previous experiences with other agents in the same country. They simply lack the time and budget to experiment with trial and error.

Another benefit is the flexibility in resources. Smaller in-house IP departments usually do not have the staff to scale up for extensive worldwide trademark filing or assignment projects. The burden of not having sufficient resources for major projects lies with the external IP provider: it needs to free up resources whenever required by the rights holder. External law firms can also temporarily take on workloads from in-house IP departments – for example, by preparing and presenting workshops to increase IP awareness among the rights holder’s employees.

Maintaining a trademark portfolio obviously involves a vast amount of repetitive, administrative work. When outsourcing a portfolio, such work will be done by others (ie, the paralegals at the law firm). There will also be continuous training and education by the external IP firm so that the rights holder need not keep track of all changes in law and procedures.

The administrative pressure of an IP portfolio requires state-of-the-art and efficiency-increasing software, but this comes at a price. Using an external IP firm means that it must bear the costs of IT investments. Such expenses are in fact less of a financial burden for IP firms because the large number of clients for which they work enables them to spread the costs. Tailor-made adaptations or changes for certain clients are usually possible. Some firms split the costs between themselves and their clients; others assume all the costs.

#### **Developments in in-house portfolio management**

Companies are increasingly recognising the importance of their legal departments and the role of the in-house counsel. In-house lawyers are no longer seen as money burners, but are considered an

important part of the business. Compliance and risk management have become a must for almost every company conducting international business. As a result, in-house practitioners are increasingly valued for their ability to prevent risks and save money. Many in-house lawyers start their careers working in law firms, giving them valuable knowledge and skills – which all adds to the quality of the legal and IP department.

Another role that will not lose its importance is that of the in-house lawyer as a sounding board. In many companies the IP team works hard to increase internal IP awareness by developing programmes to this end. More IP awareness in general, and about trademarks in particular, among employees tends to result in more questions about the subject and therefore an increased workload for the IP team.

Although in-house lawyers are qualified to carry out a great amount of legal work themselves, when it comes to intellectual property they often depend on external counsel. Reporting the status of a case, providing overviews of the portfolio or upcoming renewals, and meeting deadlines are all the responsibility of the external IP firm that manages the portfolio. There is a growing need for highly flexible IT systems that provide access not only for external trademark attorneys, but also for in-house lawyers and paralegals, in order to facilitate and expedite communication.

It will come as little surprise that, like any department, in-house lawyers are having to cut budgets for IP protection. Flexibility in communication between rights holders and outside IP firms will contribute to tighter control over costs. Increased efficiency in work processes can reduce the amount of time spent on tasks by external trademark attorneys and thus decrease the overall maintenance costs of the IP portfolio. Professional purchasing or sourcing departments have often become responsible for the purchasing behaviour of legal departments. As a result, competition among IP providers has increased.

The days of the ‘I know it all, let me handle it’ outside counsel, who decides what is best for the client, are gone. In-house lawyers

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## “ Trademark attorneys can no longer hide behind their knowledge and must be able to explain how fees are set up and what added value they are bringing to the table ”

and other stakeholders within companies expect a more proactive attitude from their external IP providers, including strategic advice and added value in line with developments within the relevant industry and business planning, combined with a personal and highly flexible approach. These elements are common in the traditional management consulting world, but are still relatively new to the legal world. It is a development that is also apparent in the world of accountancy. For example, major elements that are decisive for companies when selecting an accountancy firm include specialised knowledge, an international network, expensive software and industry branch knowledge. Unsurprisingly, trademark attorneys now realise that they need to dig deeper into and take a true interest in what their clients are doing. This should create a fruitful and long-lasting relationship which is beneficial to both parties.

### Developments in portfolio management by external IP firms

One significant change has been the increased transparency in intellectual property, prompted by continuous online developments. Filing fees can easily be found on the Internet and many trademark offices nowadays offer online trademark filing services directly to consumers. Trademark attorneys can no longer hide behind their knowledge and must be able to explain how fees are set up and what added value they are bringing to the table. This is forcing them to be more open towards clients about internal processes, ways of working and billing practices. Increased efficiency and openness at national trademark offices have led to rights holders being able to do more IP work themselves. Trademark filings and renewals are the obvious examples, but even for more complex proceedings (eg, oppositions) an external trademark attorney is not always necessary any more.

The increased buying power of purchasing departments leads to regular and more complex pitches for IP work. Even within a specialised area such as intellectual property, companies do not hesitate to spread work among various disciplines, such as trademarks, patent, IT or media law. They do not necessarily need a one-stop shop and can therefore be less loyal to their existing suppliers. In order to stay competitive, law firms need to offer more flexible and transparent price structures, including fixed fees.

These developments have resulted in a demand for trademark attorneys who are seen by their clients as so-called 'trusted advisers'. It is as if the impossible is being sought. External trademark attorneys must possess not only excellent legal knowledge, but also social and sales skills. An additional factor is the need for law

firms to create client focus in all layers of the organisation. It is no longer sufficient to train the people who are in direct contact with clients (ie, the trademark attorneys), but also to make sure that, for example, the finance department is aware of the needs and wishes of a particular client. Customer relations management systems have been introduced to the IP world as well.

### Best of both worlds

Rights holders need trusted advisers who can speak the language of the business and can advise strategically on how best to monetise their IP assets. On the other hand, in a competitive and ever more transparent IP market, it is important for IP firms to strive for a long-lasting relationship with rights holders, comparable to the client relations that are already common in the worlds of management consulting and accountancy. Knowledge sharing is key when it comes to building strategic alliances between rights holders and external IP firms. Making better use of IT possibilities can stimulate this process. Various software programs that are already available on the market can be used to share knowledge about the rights holder's business, while IP firms can share their legal knowledge with their clients in return. There should be an open discussion about which tasks are to be performed by the IP firm and which rights holders prefer to carry out themselves, for reasons of case management and cost efficiency. Many software programs offer platforms where rights holders and their external counsel can work together in the same portfolio. Dividing the work strategically will save time and costs at both ends and will stimulate working together as true business partners. The transparency of the market will thus drive rights holders and IP firms to share their resources and knowledge with one another and become more transparent in their working methods. IP firms that are not afraid to be transparent and share innovative business opportunities with their clients will see a bright future ahead of them. [WTR](#)

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