



**William O'Brien
 President's Message**

The first quarter of 2007 has been active and busy! Following is a brief update on our programs and initiatives.

We have moved to a new sponsorship model this year. Previously, programs were sponsored on an individual basis by local law firms. We have moved to an annual model of sponsorship this year, wherein our law firm sponsors not only work with us on programs for our members, but become involved in the chapter at other levels. Annual sponsorship now includes the opportunity to post articles on our website and in this newsletter, become involved in the Law Student Ethics Awards dinner, and to work with some of our committees. We feel this is an improvement over the previous model, as our firms are now involved with the chapter on an ongoing, monthly basis, which will bring more value not only to our members but to the law firms also.

Our membership remains strong and is growing, as are our program offerings. For the first time this year, we will be holding a summer program for our members, and have increased the number of offerings throughout the year.

We are already working on producing another stellar all day program in the fall, and are happy to report that our chapter won the Best CLE Program Competition from ACC with last November's program "What You Didn't Learn in Law School: Business Skills for Lawyers." An excerpt from this program will be presented at ACC's 2007 Annual Meeting—a proud moment for the chapter!

Upcoming programs are listed in this newsletter—make sure you plan to attend some of them. Our Programs Committee has pulled together a great roster for the chapter.

As always,
 William J. O'Brien, Jr.
 President, ACC-Northeast

**Available to ACC-Northeast Members:
 "Think Twice: Video Series
 on Insider Trading"**

Developed with input from the SEC Enforcement Division and ACC members, these videos are used by thousands of companies. Northeast chapter members receive a 10% discount on the series! For more information on the series, visit www.insidertradingvideos.com. If you are interested, please contact Bruce Brumberg at 617.734.1979.

**Northeast Chapter Wins
 "Best CLE Program"**

The Northeast Chapter has won the Best CLE Program award from ACC for our "Business Skills for Lawyers" all day program in November, also known as the "Mini MBA." This intensely popular program has garnered a lot of interest at our national headquarters and with other chapters—so much so that a version of it will be offered at the ACC Annual Meeting next October. We would like to urge all Northeast members to seriously considering attending the annual meeting this year in Chicago to take advantage of a number of excellent educational programs. The Northeast Chapter will also be hosting a reception at the Annual Meeting this year, which will take place October 29–31 at the Hyatt Regency in Chicago. Great educational and networking opportunities for all!

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Viva la Revolution?

By Susan Hackett, Senior Vice President and General Counsel, ACC

Am I the only one who sees the pink elephant dancing in the room? I'm still waiting for the in-house counsel community to rise up and protest, but the silence is deafening. What's going on out there? Many of the top-tier law firms announced their most recent round of first-year associate pay hikes, and though the legal press reports one major firm after another following suit, there's been surprising little action in response from the in-house bar. Disgust? Sure. But no hint of the revolution that I thought was coming. In-house counsel of the world: Who's managing your legal spending—you or the firms?

Let's do the math. Be conservative and say that an average employer pays about one-third of an employee's pay on top of their salary in order to offer benefits (such as paid vacation/sick time, health, life, disability insurance, retirement or 401K-type contributions, etc.). The newly announced first year salary level of \$160,000 plus \$50,000 in benefits takes us to a total of \$210,000. Then there's overhead, including a portion of the law firm's high-market rent, top-notch administrative support, computer, library, other office technologies, and the art-filled lobby. So let's add another \$100,000 on top of the previous \$210,000, and for the sake of keeping it simple, let's say that our highly recruited first year associate is now costing the firm \$300,000 year. Every associate will get this hike, even the not so competitively recruited ones get it.

That doesn't even take into account the cost of the cocktail-cruising summer associate program, the firm's high-power recruitment, or the cost of attrition. For every 10 of those really expensive first years less than half will make it to partnership and profitability before they're either pushed out or run screaming from the building.

Then, there's the added bonus that the majority of big firms operate on a lockstep salary system for associates, so a raise for the first-rung associates necessitates a corresponding \$15,000/year increase (at least

for every other successive class. This way, the natives won't feel bad that the least experienced workers who've labored a shorter time are making more than them. Let's say, conservatively, that the \$300,000 cost of a first year associate, when combined with the very real costs of attrition and recruiting, brings us to a nice "blended" rate of about \$400,000/year in costs.

Who's paying for this? Do you think that when the decision is made to up first-year salaries that the partnership votes to take less money to pay for it? Or do you think that the associates will be expected to "earn their keep?" The latter is a nicer way of saying that clients will be billed for the overworked first-year associates' time and efforts, and the associates will be expected to perform the feat of billing more than anyone thinks they're worth. Both clients and associates lose.

I'm having so much fun with the math, I think I'll keep going.

If you assume that every one of those associates will bill 2,000 hours that can actually be invoiced to a client (as opposed to a certain amount of time that will be billed, but written off as non-collectable for pro bono, incompetence, client objections, learning curve, you name it), that means that their 2,000 hours will have to be billed at an average of \$200 per hour in order to reach the break even point. We all know that firms don't charge associate rates to break even. Large firms bill up to \$400 per hour for these newcomers.

Perhaps a few of those new-to-the-profession associates are so smart or have amazing previous experience, making them worth every dime of \$200+ per hour, and perhaps every one of their 2,000 hours billed is actually providing efficient and meaningful value to the clients they serve. But perhaps the vast number of those hired—smart, hardworking, and deserving as they are—are worth nowhere near \$200 per hour.

Do you remember how much you knew or what your functional worth was the first

day you entered the workforce to take your first "real" job? I remember feeling incredibly incompetent and very confused that I'd not learned any of the stuff that I needed in private practice during my summer work, or in law school. Indeed, law school may teach students how to think like a lawyer, but it does very little to produce graduates who are capable of providing valuable and efficient legal services right out of the box. And that's okay, the value of a lawyer is something that's learned and earned over time with hard experience. But clients are expected to pay for it from day one, since firms don't seem to think it's their cross to bear, and I don't see associates volunteering to do internships until their services are worth what they're charging for them either. Most attorneys in the corporate bar are willing to pay for entry level associates working under supervision; it's how it's done...but at a rate that within the last five years was reserved for only the most experienced partners? Come on.

Sanity check: You can hire an incredibly smart and experienced partner-level lawyer in the next town over from New York or DC or Chicago or LA who bills at \$250 hour, and who can do the same work with a better result in half the time. That lawyer is very likely a refugee from the big firm and every bit as smart. Let's not forget about those nice folks in India or Iowa or ConsultantLand, or about your favorite vendors who will do the work for even less.

Sanity check: The members of the federal judiciary, who we hope will be composed of the best in our profession, and who must be attracted to engage in public service on the bench at the pinnacle of their careers, are paid less than these new first-years. Most of these newbies will make more in their first year than an associate justice of the US Supreme Court. Our underpaid judiciary is not the fault of large law firm associates, but it's a sign of how out of whack the law firm world's artificial pricing structure is.

Sanity check: Most new associates spend their time—as they should—learning the

ropes by doing legal drudgery: endless, painstaking research; document review and shuffling through terabytes of discovery material; making necessary appearances and filings in courts; writing form contracts and pleadings; and hopefully learning their craft at the elbows of their seniors who have the experience necessary to bill \$500 per hour and more for their time and counsel.

Associate apprenticeship is necessary and supervision of those on the learning curve is professionally mandated by every state's legal regulations, but billing for the time of the supervising lawyer and the learning associate is part of a time-honored legal tradition that often amounts to double-billing. Those in the non-law-firm vending community who can expertly perform a variety of the services performed by first-years at a third of the price are gaining ground and expanding their business lines daily. Why not hire a legal research company or a team of ediscovery consultants to do document work, or another in-house paralegal to do the routine and repetitive contracts and pleadings work? I hear of more and more in-house counsel who: 1) won't pay for entry level associates any more—they are "outlawed" in the retention letter, 2) mandate that their firms work with vendors on some of the less exciting aspects of the case or matter that can be severed and done for a fraction of the firm's costs, and 3) give increasing amounts of work to a couple of savvy law firms who've started creating and offering those alliances with preferred out-sourcers so that they can be more efficient.

Sanity check: Many of the best and brightest students graduating from school today say that they don't want to work the hours or make the sacrifices that their senior partners did when they entered the profession. But they'll take the money, thank you. They'll still apply for the jobs in firms where they know that they're expected to put their lives on hold in perpetuity in order to earn the salary and have an eventual shot at a seven-figure income. And their partners, unable to get over their own frustrations, will continue to demand the same rituals of crazy hours that caused their pain.

Sanity check: Who says that firms that are paying these rates will recruit the best tal-

ent? Skyrocketing salaries and the need to bleed revenues from the resulting associate classes will do more to prevent these firms from hiring anything other than driven and "pedigreed" applicants, even though that may not be the only kind of talent that clients want. Perhaps what clients actually want is not the editor of the law review from one of the 25 "top 10" law schools in the country. Perhaps they want talent more broadly defined: experienced, diverse, and with life experiences beyond those normally held by the majority of "highly-pedigreed" graduates. Maybe clients want lawyers with a more developed ethical compass to work on their complex corporate-quagmire problems. Maybe clients are more interested in graduates with a pronounced passion for public service, or who communicate really well with juries, or who—dare I say it? —are actually satisfied with their jobs because they work in a more balanced work environment. There are plenty of bright lawyers who are actually a pleasure to work with because they are happy, and their lives are a bit more balanced with a mix of work and non-work activities and interests. Some of them might be in that rarified air of graduates who get the \$160,000 per year (read: \$400,000) offer; a great many of those people work elsewhere, though, and don't carry the baggage or the price tag of large law firm life.

Every study out there says it over and over: You don't get more—indeed, you get less—from folks who are working at surge capacity 24/7/365. Those workers are less and less productive and more and more inefficient. The business model of hourly billing in firms exacerbates the problem by encouraging work to be done in greater quantity, rather than with greater efficiency.

So who will stop the madness? Are we going to wait until firms announce in 2009 that the class of 2010 will be offered \$180,000? Will that finally be enough? Or have you reached the end of your rope now?

The corporate legal community needs to stand up and exercise its not inconsiderable influence. You and your clients are

being overcharged for legal work in the largest firms. Do something about it. Tell your firms that charge too much that you won't pay increased rates, and that you don't want any of those nice new associates (or their increasingly expensive senior associate colleagues) billing to your account unless the firm can quantify why it is that they'll provide more value to you as the client than a partner in a less expensive firm, or an expert legal service vendor/consultant. Ask why, if the top 20 recruits in the nation need this much, it is that firms can't just give a raise to them, rather than to every associate in the firm's pool? Explain to them that they're killing the practice of law by driving associates into the ground, and that you're not going to help them do it.

Then go out and hire from the abundant pool of talent in less expensive places, whether it be smaller firm lawyers, or lawyers working outside the confines of the really big cities. Let your expensive firms' management know that while you'll miss their high quality work, they've just got it wrong and you won't be forced to pay for their continued lack of business principal and judgment. Remind them that in spite of what they tell themselves and you everyday, there's quality legal service to be had at a fraction of the cost. After all, most of those large firm's mid-level and experienced associates will be secretly interviewing for jobs in your legal department or these alleged "second" and "third" tier firms as soon as they realize that the cycle of pain at the most prestigious firms just won't stop. We all know they'll be willing to take half the pay in order to earn the privilege of working somewhere they're valued for more than the number of hours they bill, but rather lauded for the high quality legal services they're bright enough to provide.

What can ACC do to support you on this matter? We're considering the alternatives and would like to hear your views. Let me know by emailing me at hackett@acc.com. After all, my bill to you is only \$225 per year if you're eligible for membership!

Third Annual Law Student Ethics Awards

On April 12, six local law students were recognized for their exceptional commitment to ethics in their study of law at the third annual Law Student Ethics Awards dinner, which took place at the Union Club of Boston.

Brainchild of former board member Bill Wise, and immediate past president Tom Farrell, this initiative was developed in response to the corporate scandals that have been so prominent in the news recently. Ethics and integrity are critically important to lawyering, and Bill and Tom felt that students should be rewarded as early in their careers as possible for a commitment to these principles. Each award recipient received a check for \$1,000.

Following are this year's award winners:

Charlotte Petilla
Boston College Law School
Karen Trattner
Boston University School of Law
Alexander Spiro
Harvard Law School
Kareen Bar-Akiva
New England School of Law
Wynter Lavier
Northeastern University School of Law
Nicole Noel
Suffolk University Law School

The keynote speaker at the dinner was Daniel R. Coquillette, J. Donald Monan, S.J., University Professor of Law, former Dean of Boston College Law School, and author of *Real Ethics for Real Lawyers*. He discussed ethics using a historical background, and attendees found his address both inspiring



*Back Row, L to R: Fred Krebs, Nicole Noel, Wynter Lavier, Bill O'Brien
Front Row, L to R: Karen Trattner, Kareen Bar-Akiva, Charlotte Petilla
Missing: Alexander Spiro*

and interesting. Fred Krebs, president of ACC, also addressed the students and distributed the awards.

The dinner is strongly supported by local law firms, the legal media, and an anonymous awards sponsor. Six local judges were in attendance this year, along with the deans or associate deans of the participating law schools, the nominating professors of the students, and presidents of the BBA, MBA and BBE. Other attendees included senior partners from the sponsoring law firms, the entire board of directors of the

Northeast Chapter, and many in-house counsel. The evening was a vibrant and memorable blend of academia, law firms, and in-house counsel, and a true commendation to the award winning students.

Five ACC-Northeast Members Honored by New England In-House

Five Northeast Chapter members have both been named as an "In-House Leader In the Law" by New England In-House:

Susan Alexander, Biogen Idec;
Christopher Mirabile, IONA Technologies;
Paul T. Dacier, EMC Corporation;
Sandra L. Jesse, Blue Cross and Blue Shield; and
Martha J. Zackin, Keane, Inc.

This select group of in-house counsel was honored for their outstanding professional accomplishments on April 26, at the Burlington Marriott. Congratulations to all!

Recent Decisions Change the Rules of the Patent Licensing Game

By James E. Hopenfeld and Gene W. Lee, Ropes & Gray LLP

Until recently, significant hurdles stood in the path of a prospective patent licensee who wanted to challenge a patent it was being asked to license. But two recent appellate court decisions—*MedImmune Inc. v. Genentech, Inc.* and *SanDisk Corp. v. STMicroelectronics, Inc.*—have kicked open the courthouse door for prospective licensees. These decisions will bring about a sweeping change that is likely to have significant consequences for any business that deals with patented technology.

In appropriate circumstances, a prospective licensee can file a lawsuit against a patentee and request a “declaratory judgment” that the patent sought to be licensed is invalid, unenforceable, and/or not infringed. Before the *MedImmune* and *SanDisk* decisions, such a declaratory judgment action could go forward only if the prospective licensee could show that it had a “reasonable apprehension” that the patentee would sue the prospective licensee for patent infringement. In practice, however, the “reasonable apprehension” test was difficult to meet, and the patentee usually ended up controlling whether, when, and where to litigate. Consequently, patentees often started patent litigation with the tactical advantage of choosing the venue for the litigation.

In the *MedImmune* decision, which issued in January, the U.S. Supreme Court cast doubt on the “reasonable apprehension” test, albeit in the context of a dispute in which a license agreement already was in place. The Court held that a patent licensee does not have to breach or terminate a license agreement before bringing an action to challenge the validity of a licensed patent or to assert non-infringement. In other words, a U.S. district court will entertain a lawsuit by a patent licensee challenging a licensed patent even if the licensee is still paying royalties. As a result, the *MedImmune* ruling potentially alters the balance of power between patent holders and their licensees by giving licensees more control over whether, when, and where to litigate.

MedImmune was not the first time the Supreme Court has tried to balance the competing demands of Constitutional, contract, and patent laws – between holding a party to its contract and not allowing invalid or overbroad patents to exist. The *MedImmune* decision resolved one question relating to the interplay between these differ-

ent areas of law, but it left other important questions unanswered. These unanswered questions present a challenge to patentees, licensees, potential licensees, and parties to licensing negotiations.

On the heels of *MedImmune*, the U.S. Court of Appeals for the Federal Circuit decided the *SanDisk* case in March. *SanDisk* involved a fairly typical situation where a patentee and a prospective licensee engaged in licensing discussions over a period of six months. The patentee asserted that *SanDisk* infringed 14 patents and presented information purporting to show how the patents covered *SanDisk*'s products. *SanDisk* eventually filed a declaratory judgment action alleging that the 14 patents sought to be licensed were invalid and not infringed. The district court found that *SanDisk* did not have a reasonable apprehension of suit and dismissed the action.

The *SanDisk* decision discussed *MedImmune* and confirmed that the “reasonable apprehension of suit” test is no longer viable for determining declaratory judgment jurisdiction. After reviewing the facts of the case, the Federal Circuit found that *SanDisk* had sufficient grounds for bringing a declaratory judgment action. The court did not articulate a standard for determining declaratory judgment jurisdiction in all patent cases, stating that it was not defining the outer boundaries of declaratory judgment jurisdiction.

While *SanDisk* did not result in a general standard for all cases, the decision makes clear that prospective licensees now have more freedom to initiate challenges to patents in the courts. In effect, the *SanDisk* decision finds that declaratory judgment jurisdiction exists for virtually any situation where a patentee engages a prospective licensee in licensing discussions and the prospective licensee disagrees with the patentee about the need for a license (e.g., because of noninfringement or invalidity). Moreover, one can read the decision to suggest that in typical patent licensing scenarios like the one considered in *SanDisk*, district courts ordinarily should not refuse to hear the prospective licensee's patent challenge.

One of the Federal Circuit judges who decided *SanDisk* issued a concurring opinion that expressed concern about the scope of the court's holding and predicted that it “will effect a sweeping change in our law regarding declaratory judgment jurisdiction.” This “sweeping change” must now enter into the calculations of parties to

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licensing negotiations, as well as parties considering whether and how to engage in licensing negotiations.

Specific manifestations and consequences of this “sweeping change” will emerge over time, but some considerations are apparent now. Patent licenses will be less effective in bringing about litigation peace, adding instability to anticipated licensing relationships and revenue streams. Patentees and prospective licensees are likely to change the way they communicate with each other (e.g., the SanDisk decision noted that the patentee could have avoided declaratory judgment jurisdiction with a suitable confidentiality agreement). With the threshold for declaratory judgment jurisdiction lowered, many prospective licensees will communicate with patentees in a way that attempts to engineer grounds for a lawsuit – a result predicted by the concurring judge in SanDisk. Both sides to potential licensing negotiations will give greater consideration to pursuing a strategy of “sue first, negotiate later.”

Going forward, patentees, licensees, and prospective licensees need to monitor how the case law following MedImmune and SanDisk develops to determine how to engage in licensing discussions and how to structure licensing agreements, and when to file suit.

James E. Hopenfeld and Gene W. Lee are partners in the Fish & Neave IP Group of Ropes & Gray. James is based in the firm's office in Washington, D.C., while Gene is in the firm's New York office.

Upcoming ACC-Northeast Programs

May 8 — A House Divided: When the Board Investigates Senior Management — Key Issues to Consider in Internal Investigations

Sponsored by Nutter, McClennen & Fish

May 31 — Ripped from the Headlines: Data Privacy & Security

Sponsored by Mintz Levin

June 20 (probable date) — It's a Two Way Street: Inside/Outside Relations—the In-house Lawyers Guide to Leveraging Outside Counsel

Sponsored by Ropes & Gray

For more upcoming programs, go to www.acc.com/chapters/mtwest.php.

New Section on the ACC-Northeast Website

We are now posting materials from our programs in the “resources” section of the chapter website—be sure to check out this useful section!