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Implementing An IP E-Billing Solution Achieves Real Business Benefits

The Editor interviews David Hoiriis, Chief Intellectual Property Counsel, Honeywell International Inc. Please email the interviewee at david.hoiriis@honeywell.com with questions about this interview.

Editor: How is your legal department structured?

Hoiriis: We are highly decentralized at Honeywell. Most of our lawyers are located with the businesses and in the regions that they support around the globe. Our legal team includes approximately 36 intellectual property lawyers.

Editor: Why do you need an e-billing solution that specifically addresses IP?

Hoiriis: The legal work associated with intellectual property – in particular, patents – is unlike other practice areas. A single application can spawn multiple patent properties. The application can have divisions, continuations, continuations-in-part and so forth. Often an application also can be filed in multiple places with the same patent issuing in China, France, Germany, Japan and other countries. As a result, a matter that starts on a single docket in one jurisdiction can end up on more dockets in the same and other jurisdictions.

Standard e-billing packages are built around the notion of litigation or corporate matters with a finite life that do not shift into multiple matters over a period of time.

Editor: What features are found in standard e-billing packages?

Hoiriis: Standard e-billing packages focus on eliminating paper invoices for legal services provided by law firms, court reporters and ancillary service providers. In an electronic format, the bills can be submitted and processed without paper documentation. In a large, multinational company like Honeywell, elimination of paper becomes a significant issue because we have to move paper from place to place to be reviewed, approved, processed and stored. An electronic format enables processing to be done quickly at a minimal cost. It also leaves an audit trail and eliminates transcription errors.

Editor: What were your initial goals for an IP e-billing solution?

Hoiriis: We had three goals. First was to reduce the low productivity time that my department spent handling a paper invoice, including opening mail, making copies, reviewing the invoice and eventually mailing it. All these activities entail low productivity time. Second was to get rid of the delays and the errors in the paper process. Third was to accumulate our bills and associate them with specific matters to improve our management of expenses and strategic decision making.

Editor: What unanticipated goals have you achieved with your IP e-billing solution?

Hoiriis: With a large IP portfolio, Honeywell spends a great deal of money on legal expenses. Before implementing our IP e-billing solution, we would tackle the big numbers without having a lot of time to address smaller amounts. Our IP e-billing solution has enabled us to address many concerns quickly. For example, we can quickly identify overcharging for photocopies and faxes. We also are able to get a clearer picture of our expenses. The electronic format is the same for each invoice so we can quickly compare the bills across different firms.

One of the interesting things we discovered was that firm billing rates can be very deceptive. Many firms charge a rate multiplied times the hours expended. Some firms that we thought were higher priced because of the rate charged by partners turned out to be more competitive because they make better use of paralegals or associates. The blended rates are lower for those firms. This is useful information to accumulate.

Editor: What characteristics did you look for in an IP e-billing solutions vendor?

Hoiriis: Our principal driver for choosing an IP e-billing vendor was simple. We needed a solution that could be easily adopted by our existing lawyers and law firms. Additionally, the software needed to reside in our patent docketing system.

Editor: What other issues were important to you when considering your implementation of an IP e-billing solution?

Hoiriis: One of the key considerations in implementing an IP e-billing solution was cooperation from the law firms. The firms involved in litigation and general practice are very familiar with e-billing because it has been implemented in legal departments for a number of years. IP e-billing is a relatively new phenomenon. For the client companies that have implemented IP e-billing solutions, it means a new process for firms that have not done it before. Honeywell integrated its e-billing system with the patent docketing system so that it is a complete patent-only solution. It required collaboration with our law firms to help ensure the accuracy of the data within our systems.

The biggest benefits for the law firms are the increased accuracy and elimination of transcription errors. When the bill leaves the firm and passes the preliminary checks in the software, no errors can be introduced into that bill as it goes through the process. You cannot have someone drop a number, and the bill does not get lost. That is a huge advantage for the law firms and increases the predictability of the system. Neither the firm nor our team has to spend time chasing a bill.

Editor: Did the IP e-billing solution's vendor provide any additional expertise to assist with your implementation?

Hoiriis: The vendor supplied the invoice processing software and expertise. These systems require software to be installed at the law firms, intermediary software outside of the firewall and then software inside the firewall. We expect a vendor to be an expert in those systems. We supplied the patent expertise to help the vendor understand how handling a patent matter differs from a

litigation or corporate matter and how to categorize expenses. We also collaborated with the vendor in optimizing the IP e-billing solution's user interface to increase throughput speed for patent bills.

Editor: Do you have any suggestions for in-house counsel looking to implement an IP e-billing solution?

Hoiriis: A major tip for in-house counsel is to remember that, because patents can have up to a 20-year-life term, a lot of errors and ambiguous information can creep into and remain in the patent database. When migrating to e-billing, all the records in the database have to be accurate and up to date. That turned out to be our most significant exercise because we had to make sure that the data in our database reflected the current lawyers, organization and portfolio. Although these things are not important for maintaining the patent, suddenly they become important to make sure bills are directed quickly to the right person and the right place.

Editor: What benefits to your business processes have you realized by incorporating financial data?

Hoiriis: The real advantage in e-billing is that it allows you to take the expenses and associate them with the individual cases. Honeywell has about 25,000 patent files at any point in time. Associating expenses directly with those cases and using a consistent methodology to code them enhances our capabilities for expense control and processing. That is a process that has real business benefits while also eliminating a great deal of paper work.

Editor: The UTBMS code set will be available early next year. Will Honeywell utilize that code set?

Hoiriis: Honeywell has been a part of the standard-setting process for developing the UTBMS code set from the beginning. We intend to adopt whatever

code set is finalized. The key to making IP e-billing systems work is to have accurate consistent coding from the law firms. Right now, we are using a custom code set. Other in-house legal departments that have similar systems are also using their custom codes. It will be to everyone's advantage when we are all using the same set of codes. It will make it easier for the law firms to encode the same way for all their clients. That way, everyone can receive more consistent and reliable data.

Editor: Has the use of IP e-billing met your expectations?

Hoiriis: Yes. We are processing roughly 1,000 invoices per month. Your readers who are patent lawyers will recognize that our business is characterized by high numbers of low-value invoices. Litigation typically involves one invoice for a large dollar amount. For patent invoices, the average dollar amount is significantly lower, but the number of bills is much higher. We have achieved a significant advantage by eliminating the reams and reams of paper and processing all of our financial information electronically. As a result, we can easily access and manage our IP costs effectively.