

## **IP Outsourcing – an efficient way of focusing on core competencies**

By Dr. Richard Brunner, attorney-at-law

Intellectual property departments have undoubtedly been unaffected by management's outsourcing activities for the longest time, even compared to R&D. But in the difficult economic times even those companies think about outsourcing of certain IP related processes and services which have been skeptical about this approach in the past. They have realized that outsourcing can not only be the clincher for cutting the costs, but can also lead to an upsurge in productivity. A well designed and implemented outsourcing project is an appropriate instrument to always be one step ahead.

At the outset of such considerations, an objective analysis should be completed, including a review of the following; the current and prospective situation regarding costs, available human resources in relation to work load, existing know-how, and defined core competencies. Other goals may include improving the transparency of costs and optimizing workflows.

### **The cost factor**

Even though it should not be the determining factor when it comes to outsourcing IP, the first thoughts often turn to the cost cutting impact. Outsourcing service providers are able to help reduce costs at multiple stages. By handling high volumes of IP related transactions, service providers are able to negotiate service fees with local patent law firms which often differ by a factor of two or more, compared with standard prices. If the service provider operates businesses in strategically important countries, it may even be possible to avoid local service fees in many cases.

Outsourcing providers have to set value on process efficiency in order to be competitive. This is mostly realized by a high level of IT sophistication, managing the necessary business processes to a degree that often cannot be achieved by in-house IP departments.

Speaking of costs, a service provider should indicate different cost centers on invoices to facilitate cost allocation within the client's organization. Furthermore, a dedicated set of line items which includes all fee and expense types will allow for high cost transparency and easy invoice approval, especially if e-billing is supported.

Regarding price models, an IP outsourcing partner should be able to offer different options (e.g. fixed fees by unit or period). Moreover, depending on the individual IP asset portfolio, a monthly settlement of patent annuity or trademark renewal

payments, instead of a quarterly settlement cycle will help to avoid cost peaks.

### **The human factor**

Outsourcing can bring relief to human resource challenges. IP department heads complain that HR issues consume substantial amounts of time and energy. Work peaks, vacation, sickness, maternity leave, and a constantly tight IP labor market are only a few problems to mention here. These are being shifted to the outsourcing provider that will be more easily able to balance these issues by doing work for different clients.

Outsourcing is often equated with relocation of jobs abroad. But this misses the point, as it can safeguard employment by strengthening the competitiveness of a company. The crucial factor is not where the outsourcing partner is located, but if it is able to bring the expected added value to the business of the company or its business units. Such added value may lie in getting rid of less interesting and sometimes monotonous administrative jobs to free up time for more challenging tasks.

### **Focusing on core competencies**

It is essential for any enterprise to reassess its core competencies on a regular basis, but even more so in uncertain times. Keeping core competencies in-house will avoid a risky dependence on the outsourcing provider and a gap in the business knowledge after termination of the outsourcing partnership—all other remaining tasks qualify for outsourcing. IP administrative work, such as filing of applications and oppositions, doing searches, monitoring third party filing activities, recording changes or assignments and paying patent annuities or trademark renewal fees should not be considered strategic competencies. The IP service provider should be responsible for updating client's IP database and for communicating with local agents. The latter includes monitoring of compliance with the standards defined by the client or elaborated with the service provider. The IP outsourcing provider works as an intermediary between PTOs and local agents on the one hand, and the client on the other hand, to assure that all relevant information is provided in a format that meets the client's requirements. Combining the core competencies of client and service provider will raise the efficiency and quality of the entire business process. A network of as much as 200 different local law firms could be reduced to one IP service provider managing all these business partners (vendor consolidation).

### **Quality Management**

IP is a highly sophisticated subject matter where the highest importance should be attached to the quality and professionalism of the services outsourced or provided in-house. No management team would accept the loss of core IP assets, even in the face of extraordinary cost savings. Initiating an outsourcing project will also automatically entail an improvement of internal workflows, since business processes have to be revised, documented and integrated in order to work with the outsourcing provider. Moreover, the IP service provider will monitor initiated projects or transactions which may involve third parties such as local patent law firms. Regular audits will support continuous quality management. An outsourcing partner will also be able to bring in best practices from its experience with clients in other industries.

### **The SLA**

The central document for the business relationship between the IP department and the outsourcing provider will constitute a services level agreement (SLA). Remember to reserve enough time to define the agreement, which should include service descriptions, responsibilities and technical requirements, invoicing formalities, points of transfer, response times, obligations to co-operate and the commitment to continuously enhance the workflows and their documentation.

Considering the fact that an outsourcing provider is basically free to offer its services to the competition, it is crucial to determine whether the service provider is willing to agree to a level of exclusivity or at least warrants sufficient standards of confidentiality. However, it has to be taken into consideration that even the most sophisticated agreement with an outsourcing provider is no better than the legal system of the country where it has to be enforced—a truth to be taken into account during the process of evaluating a potential IP service provider.

### **The project plan**

As a first step to outsourcing IP services, a close look at other companies (from different industries) will help to generate an understanding of concentrating on core competencies.

A dedicated project manager (ideally with an assisting project team) who will be responsible for the evaluation of the outsourcing partner, the negotiations and the implementation of the entire project should be designated. The intentions and plans of outsourcing will have to be presented to selected specialized service providers, followed by an invitation to take part in a bid. This first bid

should concentrate on the capabilities of the outsourcing provider with regard to the degree of internationalization and size of the organization, the qualification of the staff members, the available technologies and the experience in similar projects. When the services to be outsourced are determined and the basic requirements regarding the workflows are defined, a second bid shall designate which provider can offer the services at a reasonable cost/performance ratio. Several months should be reserved to clarify the future role of each party in detail and to set up a transition plan with all the necessary action points and defined deadlines. This plan has also to consider the involvement of other departments within the organization such as HR and IT.

### **Teaming up with the right partner**

The choice of the best fitting partner for outsourcing of IP services will, of course, be instrumental in the success of the project. To summarize some of the most important facts, you should be certain that the organization is capable of rendering the services worldwide, has qualified, multilingual personnel which can communicate with you at eye level and is not only able to do administrative work, but can also render legal services and provide consulting, where necessary. Furthermore, the partner should be able to provide suitable software solutions, including e-billing link-ups, and have sufficient experience in workflow integration and flexibility to meet the requirements of your day-to-day business.

Taking all this into consideration makes IP outsourcing an attractive option for all companies. Whatever size the organization may have, the secret behind successful outsourcing is: Do what you can do best and outsource the rest.

### **The Author:**

Dr. Richard Brunner is Head of Trademark Department of the Luxembourg based patent law firm [Denemeyer & Associates](#) that represents its clients worldwide either directly or through a network of highly experienced patent and trademark professionals. At Denemeyer & Associates he assists and counsels companies on outsourcing IP administrative work. Before, he worked several years as attorney-at-law in the field of copyright enforcement and unfair competition. Dr. Richard Brunner speaks German, English and French.