

## **Outsourcing of IP activities – How IP- Managers can benefit**

### *Abstract:*

*Today's in-house Intellectual Property (IP) or patent departments in industry are under a heavy cost- and head count pressure. Many departments are understaffed and work on their limits. The transfer of IP activities or work to external firms, e.g. patent law firms for drafting and prosecution, could be one way to optimize the companies' demands. An effective management could create value for both, i.e. in-house and outside counsel and their firms.*

## **Outsourcing of IP activities**

In principle every business activity or function can be outsourced if the results lead to client satisfaction. For work products that result in intangible assets or property this is only partially true as also competencies, expertise, and know how would be conveyed to third party providers and thus would not stay within the company. The term IP activity primarily refers to legal and administrative work relating to patents, designs, copyright, trademarks and domain names, etc.

Worldwide patent applications for example grow at an average rate of nearly 5% per year, according to the World Intellectual Property Organization (WIPO). The total number of patents in force worldwide was around 6.1 million at the end of 2006.

This trend of course has an impact on the workload of patent departments in industry which usually face a heavy cost- and head count pressure. To produce more patents and maintain even a growing number either calls for more qualified personnel to perform the work in-house or to transfer the work to external IP firms and manage the work effectively.

With today's technology the outsourcing can be performed far remote to the instructing company. Quality, costs, and efficiency are probably key factors for outsourcing companies or outsourcers, but there are further factors with potential impact to consider when IP activities are delegated to outsourcing providers.

While the outsourcing company is interested in sustainable results, the service provider intends to increase its business and to rise its reputation.

Risks are inherent if work is shifted from one place to perhaps an oversea location. Moreover, there are hidden risks, e.g., in outsourcing of patent prosecution work.

IP work is often related to confidential information, but also has privacy and data security issues which need to be considered by both parties, i.e. the outsourcer, and the service provider. The service provider usually is the recipient of such

information and needs to take all measures to comply with the various laws and regulations.

In addition, outsourcing generally has received some concerns in view of ethical and economic consequences. The shifting of work from one to another location is discussed controversially, but is an increasing trend and necessity in our today's global economy.

With respect to the volume of general IP work that can be outsourced there seem to be no limits, but for quality skill-intensive work. Generally, within a county or jurisdiction the transfer of skill-intensive work to IP specialists works as with those the expectations, however not in view of costs, in view of quality and results can be meet. In the absence of law compliance, IP outsourcing will always be a balance between quality and costs.

The cost factor is an important one for every business. While through outsourcing of IP work the expenditures for internal personnel can be reduced or even omitted, the work needs to be initiated and results from outsourced IP work need to be reviewed and related expenses be verified and processed. In addition, if the service provider is not aware of the companies' IP strategy or not familiar enough with the respective technology, the work product might fulfill the needs for the moment, but in the long term it may turn out that the created IP does not hold, i.e. can not be used for the intended purposes.

## Conclusion

In order to stay competitive and flexible in today's global economy it is advantageous to outsource IP activities and work while companies must retain its "knowledge capital", improve existing IP and create new IP. If the processes can be managed and tracked to generate high quality IP then a win-win for both in-house and outside counsel and their firms, can be achieved.