

Disruption In The IP Services Industry?

By John Walker

The theme of the LES (Australia/New Zealand) Annual Conference in May 2016 was “Creation to Commercial—Disruption and Opportunities.” In keeping with that theme, a presentation was made “Disruption in the IP Services Industry?” The “?” in this title essentially asks the question “Is There Disruption in the IP Services Industry?” This paper, based around that presentation, looks at that question from the viewpoint of the players or stakeholders in the IP industry, the IP lifecycle or ecosystem, and the products and/or services being supplied in the IP sector.

Terminology

As a precursor to answering this key question one needs to understand what is meant by disruption. One possible definition of disruption is “disturbances or problems which intercept an event, activity, or process,” with synonyms such as “interference, upset, confusion” often being used to describe any disruption. These definitions all have negative connotations, and as later described in this paper, the IP services industry can be considered more in “transition” than as a disruption. Transition is more a process or period of change from one state to another, and synonyms like transformation, adaptation, gradation and evolution—all with a more positive connotation—are better descriptions, and these certainly more closely reflect the development—past, current and future—of the IP services industry.

In addressing this question, two other terms also need to be recognized. These are “harmonization” and “streamlining.” Harmonization can be considered as an “adjustment of differences and inconsistencies among different measurements, methods, procedures, schedules, specifications or systems to make them uniform or mutually compatible.” This is certainly an underlying state of affairs within the IP sector over many decades. Streamlining is the “improvement of the efficiency of a process, business or organization by nullifying or eliminating unnecessary steps, and using modernizing techniques.” Accordingly when we consider the IP ecosystem as a whole we can see that harmonization and streamlining by many of its key stakeholders does in fact create the environment for the transition or evolution of the IP services Industry.

The IP Ecosystem—The Stakeholders

Within the IP sector or ecosystem, who are these key stakeholders? In its simplest form there are the

IP owners themselves (individuals and corporations) seeking IP rights consistent with their business objectives, governments through their agencies providing the IP infrastructure to obtain IP rights—at the international, national and multilateral or regional levels, and the IP service providers. This latter grouping can be further categorized into three: the traditional attorney services; the commoditized type services (such as renewals); and the management services (such as outsourcing). Looking at each of these stakeholders helps one understand and address the issue of disruption (or transition?)

IP Owners

IP owners are the cornerstone—or ultimate drivers—of the sector in that they seek, demand and require IP rights with certainty, they seek the maximum protection (both in terms of scope and territory,) and with such rights being provided in the minimum timeframe (usually,) at minimum cost, but at the same time without any reduction in quality of service or outcomes. Whilst these objectives might be considered aspirational, they nonetheless provide the drivers for the other two categories of stakeholders.

Governments

From the governmental perspective, and looking at the international level, attempts to simplify IP systems have been enacted for over 130 years. Although not an exhaustive list, notable treaties and conventions in this evolution include the *Paris Convention* (1883)—now 177 member states, *Madrid Agreement* (1892), *Hague Agreement* (1925)—with over 60 member states now, the *Patent Cooperation Treaty* (1978)—with membership now exceeding 150, *Madrid Protocol* (1996)—now comprising almost 100 members, and the *Patent Law Treaty*. All of these arrangements between nations represent attempts at the international level to harmonize and streamline the system(s) for IP owners whilst at the same time indirectly creating challenges and opportunities for the IP Service Industry to maximize the benefits of such improved systems for IP owners.

Similarly at the regional or multilateral level, treaties, conventions and processes have been developed to

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simplify systems. Examples include the *European Patent Convention* (EPC), ARIPO, OAPI, and the Eurasian Patent Convention. The EPC is a classic example where its creation led to the IP Service Industry providing a commoditized service for European Patent Validations. Similarly at a multilateral level, the growth of the numbers, and members, of *Patent Prosecution Highways* (PPH) represent a further example of governmental cooperation aimed at simplifying (streamlining) systems for IP owners. In the Asian region, *ASPEC* (ASEAN Patent Examination Co-operation) represents nine member states cooperating on patent examination.

The patent lifecycle is introduced later in this paper, but each of the aforementioned international, regional and multilateral arrangements all aim to harmonize or streamline the patent filing and/or examination processes. At the Australian national level in 2015, a *Consultative Report* commissioned by IP Australia expressly identified objectives for the agency of aligning, improving, and simplifying its practices and processes.

IP Service Providers

Before considering the IP service providers in more detail it is well worth reviewing the IP lifecycle for the purpose of broadly categorizing the activities (services and/or products) performed (and by whom) in a typical IP lifecycle. The patent lifecycle is used here for illustrative purposes, but other registrable IP rights such as trademarks and industrial designs could equally act as an illustrative example. The patent lifecycle can be considered to commence with pre-filing considerations, the most common being the conduct of suitable patent searches. Following the search activity, the patent document will be prepared (drafting,) followed by filing (either as a priority or convention/international application), next there is the prosecution or examination stage leading to grant or registration, and finally concluding with maintenance (*e.g.* annuities or renewals.) It should, however, be recognized that depending on the jurisdiction, such maintenance fees may be payable prior to or concurrently with the registration stage. Although not strictly a linear process, for the purposes of this example, subsequent commercialization and/or enforcement can be regarded as the final stage(s) in this IP lifecycle.

Traditional IP Attorney Service Providers

As already identified, there are essentially three major groups of players in the IP service providers sector: the traditional IP attorney services, the commodity product/service providers, and IP management and related outsourcing service providers. Using the *Australian Institute of Patent & Trade Mark Attorneys* (IPTA) website as a reference point, and recognizing there may be slight deviations between jurisdictions, the broad traditional services category includes advis-

ing on IP, helping IP owners register and maintain their property, applying for and securing IP nationally and internationally, helping transfer IP, and assisting the IP owners with their portfolios. Although it is difficult to put an exact date on changes, it is reasonable to assert that all elements of the IP lifecycle just described were once the sole domain of the traditional attorney service providers. Perhaps one of the pioneering changes to this framework was in 1962 when John Dennemeyer introduced the first computer based patent annuity payment service. It can certainly be argued this was the commencement of a new type of service provider—the commodity service provider. Part of this review will now look at other areas of the IP lifecycle where commodity service (or product) providers have entered, thereby resulting in increased competition with the traditional attorney services and/or various models of collaboration between attorney and commodity service providers. In any event, such developments over time have seen government IP agencies “cheering from the sidelines” as the end result has been improved efficiencies, particularly in costs, for IP owners.

Commodity Service Providers

Reverting to the IP lifecycle, the logical commencement point is the searching component. Today, we see a multitude of searching options provided by the commodity services providers to the IP owners (and to the attorney service providers). These searching solutions include freely available databases such as PATENTSCOPE and espacenet provided by government agencies—either international (WIPO) or national IP offices. Commercial databases are also available (*e.g.* Delphion, Derwent, Micropatent, and Questel) and these all tend to provide some functionality benefit over and above the government agency products. It is this differentiation of functionality that creates the marketplace for such commodity service providers, such differentiation being on the basis of interfacing, detailed analytics, language translation capability, statistical analysis, graphical and topographic presentation of results, citation analysis, and the like. It is therefore not surprising that searching has been a fertile field for entry of commodity service providers as part of their service is highly dependent upon information searching and analysis. To put this in perspective, the number of patents filed worldwide per year increased three-fold from 1980 to 2010, and five-fold in the case of trademarks. Hard disk drive capacity increased 100,000-fold in the same period.

Perhaps the two elements in the IP lifecycle that have most rapidly become commonplace in the IP ecosystem are the maintenance and filing commodity services. The nature of each of these elements are readily transferable as a commodity, and in each case the entry of multiple providers including the pioneers and

subsequent entrants) provided some initial disruption, but over time such services have been subsequently improved and enhanced and become more efficient—largely due to the aforementioned explosion in information technology advances.

The other two pre-registration elements are patent drafting and patent examination/prosecution. In the case of drafting, underlying tasks such as identifying relevant prior art, interaction with the client, evaluating the scope of an invention etc., cannot be readily replaced by computers. However, as already identified, some searching and analytical software can assist the patent attorney particularly in identifying prior art, and already there are some purveyors of software tools that electronically enhance the drafting process. Further, it can be argued that with the development and use of more “intelligent” software at the drafting stage where relevant prior art is identified, it then becomes a logical extension to transfer these capabilities to government patent examiners at their examination stage. Although not necessarily at the “IT level,” government agencies (international and national) have become drivers for the examination/prosecution phase to become more of a commodity. Offices sharing examination reports, Patent Prosecution Highways, the use of modified examinations, together with rapidly evolving information technology capabilities are pushing this aspect more towards a commodity. As an example, and building on these developments, the concept of *Flat Fee Prosecution* services has been introduced whereby IP owners can benefit from many of these developments.

At the commercialization stage a number of on-line platforms have, in more recent times, been promoted—both by government agencies and commercial firms—to enhance the likelihood of successful commercialization of IP outcomes. Examples include SourceIP (an IP Australia initiative that provides an on-line marketplace for public sector technology), PCTxs, IPNexis, IPMarketplace, IPZone, and IPOPHIL. These are essentially a random selection of available platforms that assist in the technology transfer process, but ultimately somewhere in the IP ecosystem the buyer (licensor) and seller (licensee) need to negotiate and ultimately “do the deal.” Taking the commercial deal one step further, software tools are available for agreement drafting. However, like the stage of patent drafting, such software can assist but due to the unique situational circumstances—every deal is different—this cannot replace the need for personal professional input and expertise.

Although the foregoing has deliberately concentrated on the individual elements of the IP lifecycle, many other related products are available at a broader management level than for a specific aspect of the IP lifecycle. Again, whilst not exhaustive, the following

list demonstrates the computer based “solutions” that are available in the marketplace to assist the IP owner and/or IP attorney in many of the aspects across the entire IP lifecycle. These tools include IP management software, discovery and litigation management, lawsuit databases, attorney-client management, knowledge management and document management. The development of such broader based software solutions across an IP owners business (particularly those with large portfolios) provides a convenient segway into the third group of IP management and related outsourcing service providers.

IP Management and Related Outsourcing Service Providers

This review has concentrated on the potential “outsourcing” of various elements of the IP lifecycle through the utilization and/or acquisition of certain products or standalone services that are being provided by a myriad of product/service providers. In some cases such products cannot be provided without some form of additional or related “service,” and where such “services” can be considered to relate to either a specified product or where this can lead to a broader full service arrangement such as outsourced IP management of an IP portfolio (and most likely using one or more commoditized IP services). This is essentially the third component of the IP service provider category—the management services provided through an outsourcing arrangement.

As indicated above, such outsourced services can be as narrow or broad as the client requires, but ultimately the client (IP owner) needs to fully understand its own workflows so that it can identify what service(s) can be best outsourced—that is, they are demand driven, not supply driven. Aligned with this consideration is the question by the IP owner: “what competencies and processes do we (or should we) keep in-house?” Ultimately there must be tangible benefits in outsourcing services, and these benefits broadly fit into three categories—improved services, cost-effective services, and more efficient services. Further, it should not be forgotten that outsourcing is a partnership between two or more parties, and ultimately management, communication and relationship issues (both current and potential future) need to be openly and transparently identified and addressed at the outset of any outsourcing partnership.

Disruption?

Having identified the landscape of outsourcing in the IP ecosystem we need to return to the fundamental question of whether there is disruption in the IP services industry. As a broad overview, and assuming the consideration of outsourcing is more directed at a commercial entity with a relatively large portfolio, we need to make the potential disclaimer that all companies

are different and use IP services in different ways to meet their business objectives. For example, does the IP owner utilize an in-house corporate department? or does it rely solely on an external supplier(s)? or some hybrid? Further, where it outsources, does it outsource “products” and/or “services?” or both?

With this in mind we can draw a few general conclusions. First, as has been observed, most outsourced products and/or services are very information technology intensive and therefore, notwithstanding perceived benefits of the product or service, inappropriate or incorrect consideration of IT implications can create the potential for disruption. Secondly, where the IP owner uses different vendors for products and/or services, and in association with the “IT issue,” there is again the potential for disruption. Thirdly, it must be noted that the products and/or services themselves are not necessarily disruptive, but rather are transitional or evolutionary being driven by both the consumer (the IP owner) and governments (as agents.) However, mismanagement or lack of coordination of these products and/or services by the consumer can create or lead to disruption.

So, the growth in commoditized IP services has been largely evolutionary or transitional, and has been strongly influenced by developments in information technology. The IP lifecycle embraces many interrelated steps, and as identified in this review, IP Service Providers can supply solutions (and variants thereof) to virtually all of these steps—either alone or in com-

ination. The permutations are endless. It is therefore not so much the products/services themselves that are disruptive, but rather when such services or solutions are not provided consistently with the IP owner’s system and its needs, that the potential for disruption is present. Therefore, there are two key messages that evolve. First, for the IP owner—understand your IP system and your needs. Secondly, for the IP service provider—understand where your solution fits in the broader IP ecosystem and how it interfaces (if at all) with other elements of the IP lifecycle.

Further, to eliminate such disruption requires openness and transparency by both the IP owner and the supplier(s) of the product and/or service to ensure the needs and expectations of the IP owner and the functionality and capabilities of the supplier’s products and/or services are aligned so there are no misunderstandings, both in the short and long term, and expectations can be seamlessly met. With this understanding and alignment as the basis of any partnership, the IP owner can expect to reap the benefits of products and/or services relevant to its business, and take advantage of the ongoing related improvements arising mainly through information technology advances and which are provided by the IP services suppliers, without any disruption. ■

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