

Legal Digital Transformation – Lesson #2: Externalizing Manual Work is Not Digital Transformation

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In recent years many corporate IP departments have turned to externalizing data entry and management processes in an effort to reduce internal staffing needs and lower department costs. This cost-cutting externalization effort typically involves one or both of the following strategies:

- requiring law firm suppliers, at no cost, to enter IP bibliographic, PTO transactions/or and related communications directly into the company's online IP management database, thereby eliminating the need to use internal resources for this purpose
- outsourcing department tasks such as "paperwork" around invention disclosures or routine internal department tasks to off-shore back-office suppliers that use low-cost labor

Both of these strategies involve a reduction of cost to the corporation and less manual work for the department, so they offer immediate benefits of value. They also arguably make the operation more "digital" and appear to be a step in the direction of digital transformation. But these strategies are not digital transformation, because neither replace manual labor with automation – they just push the manual labor off to a different place.

Now, one might hope that the new recipients of manual labor responsibilities (law firms and off-shore operations) could take up the task of actually digitally transforming these externalized operations, but there are two reasons this is either very difficult or highly unlikely to happen.

Let's take the externalizing of data entry to law firms first. In this case, only a small number of corporate IP departments use IP management systems that include API's that provide the the functionality needed for digital transformation of the externalized processes. Of those that do, even fewer allow law firms remote access to such APIs due to data security concerns. The result is digital transformation is not possible to achieve even if the law firm wants to do so. It's like giving a sherpa an extra five pounds to carry and forbidding them from buying a pack horse to help.

Regarding the other strategy, off-shore providers specialize in using low cost labor to do laborious, low complexity tasks. They charge by the head, so the last thing they want to do is reduce the amount of labor required to perform the services they offer. As a result, these operations become a

barrier to digital transformation because the domain expertise required to implement the transformation is incentivized to find every reason possible that it can't be done.

So the lesson here is clear: any legal department that wants to achieve real digital transformation should not start with externalization of existing manual processes to law firms or off-shore providers. The true transformation journey begins with figuring out how to eliminate as many of the manual labor steps as possible using automation, and only after that has been done, takes steps to externalize what is left. And, moreover, any such externalization should afford a pathway to continued digital transformation, such as providing APIs to their IP systems.

Finally, no corporation should ever buy a new IP management system that does not offer open API's to any supplier the the corporation chooses to work with. The following systems offer open APIs for their users: CPA/FoundationIP/IPfolio, Patrix/Patricia, CPI and AppColl. All of these vendors are excellent to work with for API access and offer excellent API capabilities. The automation docketing specialists BlackHills IP have interfaces to all these systems, and can actually move data between systems automatically, if they have the API connections available to them.

Again, if your provider or provider under consideration is not on this list, you should be aware the vendor will constitute a major barrier to digital transformation, especially if they want to trap your back office work in a manual, off-shore operation, where increasing head counts leads to greater profits.

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