

# Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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January 9, 2004

## THIS JUST IN!

### IBML INTRODUCES IMAGETRAC III

The high-speed scanning market promises to get even more interesting in 2004. Ultra-high-speed specialist **IBML** has announced a lower-priced model designed to go directly after the 100-150 ppm segment that has traditionally been dominated by **Kodak**. IBML's ImageTrac III features a transport design similar to the company's highly successful ImageTrac II model. However, new internal components will enable IBML to sell the ImageTrac III for approximately half the cost of an ImageTrac II. Rated at 120 ppm in both bi-tonal and color at a maximum of 300 dpi, the ImageTrac III runs at about 60% the speed of the ImageTrac II. This should put it in direct competition with Kodak's i840 model.

IBML will preview the ImageTrac III at **AIIM 2003**, March 8-10 at the **Jacob Javits Center** in New York City. It plans to begin shipping the model at the end of the second quarter. The ImageTrac III will list for \$125,000, which includes IBML's *SoftTrac* capture software, color and duplex scanning capabilities, dual stream capabilities, an imprinter, a bar code reader, and two intelligent sort pockets.

"Over the past couple years, we've received requests for lower-speed, less expensive scanners," Craig Reeves, IBML's VP of product marketing, told *DIR*. "We have several ImageTrac II customers that have remote sites that just can't justify a \$250,000 investment in another ImageTrac II system to scan 15,000 pages per day. The ImageTrac III will also fulfill the needs for backup scanners for many of our customers."

In addition to selling the ImageTrac III to its existing base, Reeves said the product should open up new markets. "Traditionally, we've

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## Group Banding Together To Challenge Patent Claims

**Five patents have already netted more than \$1 million in settlements from top forms processing vendors.**

The legendary sign on former president Harry Truman's desk read "The Buck Stops Here." An organization called **Millennium, L.P.** may soon receive a similar message from the document imaging industry. A group of vendors has banded together and is considering challenging Millennium on a series of patents which Millennium has already used to gain settlements worth well over \$1 million. "A number of recently named defendants [accused of being in violation of the patents] have gotten together and are exploring all options," a representative of one of the coalition vendors told *DIR*.

The patents carry the title "Information Processing Methodology" and cover several techniques associated with forms processing and image capture. The earliest one is U.S. Patent Number 5,258,855, which is assigned to **System X, L. P.** of New York City. The latest is number 6,094,505, which is assigned to Millennium of Grand Cayman. All five list the same three inventors: Robert Lech of Jackson, NJ; Mitchell Medina of Essex Fells, NJ; and Catherine B. Elias of Plainsboro, NJ. Their entire text can be found on the **U.S. Patent Office** Web site at <http://patft.uspto.gov>. [Just run a title search on "Information Processing Methodology."]

Through the grapevine, we understand that companies currently being sued for patent infringement by Millennium (and not having settled as of the end of the year) include **LaserFiche, Hyland, Optika, FileNET, and CereSoft. dakota Imaging, Top Image Systems, and Fairfax Imaging** were also reportedly sued, but we are not certain if they have settled or not. **Cardiff, Captiva** (for both its *FormWare* and *InputAccel* programs), **ReadSoft, Kofax, AnyDoc, Recognition Research, Datacap, and Compaq** have all reportedly settled.

The uncertainty about who has settled has to do with a gag order that apparently accompanies any settlement.

We have actually been working on this story for close to a year but have been unable to print anything until now due to the number of "no comments" we have received. Many who initially seemed eager to discuss the matter, quickly clammed up, presumably following a discussion with their attorneys.

However, as Millennium has expanded its approach from going after one vendor at a time, to attacking several at once, the strength of numbers appears to be asserting itself. Although vendor representatives were reluctant to be quoted by name, several encouraged us to write this story using their comments either anonymously or for background. Part of the aim of this story is to encourage vendors who have not been sued yet to get involved in challenging Millennium.

The exact methods through which Millennium is coming up with its targets is uncertain. We heard that its original plan of attack was to have companies that signed settlements provide the name of the next target. However, as Millennium's efforts have expanded, it seems so have its sights. Inventor Mitchell Medina reportedly attended the **AIIM** show last year on behalf of Millennium. Also, we suspect a recent article our editor wrote for another publication, which touted the capture technology of LaserFiche, FileNET, and Hyland, may have helped Millennium come up with some names.

The point is that if a vendor plans to market image capture capabilities, Millennium will eventually find them. Vendors who choose not to participate in the attempt to diffuse Millennium's momentum—for fear of being exposed as a potential target—are simply delaying the inevitable. Because the cost of fighting a patent lawsuit can top \$2 million, choosing to fight Millennium alone is likely not an option. Settlements estimated to be between \$200,000 and \$500,000 (depending on the size of the company) have so far proven attractive to several vendors.

### **Prior Art Being Sought**

With several companies helping to defray the cost of litigation, there seems to be hope that Millennium can be stopped by proving prior art. Prior art would mean that the processes described in Millennium's patents were already in existence before the patents were applied for. The first of Millennium's patents, which the other four appear to be based on, was applied for in 1991 and granted in 1993. The latest was applied for in 1998 and approved in 2000. From what we understand, Millennium began seeking settlements in the late 1990s.

Several industry veterans have told us emphatically that the methodology described in the patents was in use prior to 1991. Arthur Gingrande of **Imerge Consulting** (arthur@imergeconsult.com), for example, founded **Symbus Technology** in 1988. "I believe we were utilizing technology those patents refer to," Gingrande told *DIR*. "I think the reason Millennium hasn't gone after vendors like **BancTec** and **Scan-Optics** is that they definitely had those types of systems in place well before 1991."

## **Document Imaging Report**

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*DIR* is the leading executive report on managing documents for e-business.

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## Special Pull-Out Section:

# **Document Imaging Report**

## **Annual Article Index For 2003**

Thank you for another year of support for the *Document Imaging Report*—the premier newsletter covering document imaging and related technologies. This past year, 2003, was a very exciting one for our industry. Following are five important trends we observed:

- The beginning of an economic recovery, reversing the downward trend that began with the tech wreck of 2000 and continued through the aftereffects of Sept. 11, 2001.
- An intensified interest in regulatory compliance involving document archiving.
- A slew of acquisitions and partnership announcements that helped consolidate the ECM market and also create a new market called information life cycle management, which combines ECM with storage.
- The expansion of document imaging into the front office through distributed capture installations and the adoption of scanning capabilities on digital copiers.
- The incredible rise from the ashes of Captiva's stock value, which began the year at \$1.60 per share and closed it out at more than \$12 per share.

We look for these trends to continue at least through the first part of 2004, with the adoption of digital mailroom technologies helping spice things up as the year rolls on. We look forward to having you on board as the action heats up!

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Despite Gingrande's claims about Symbus, it is worth noting that Captiva, which acquired Symbus a number of years ago, decided to settle after reportedly spending a good deal of money to research the validity of Millennium's claims. Likewise, Datacap and AnyDoc, two companies that have been in business since the late 1980s, have reportedly settled. "A lot of times, when faced with a patent suit, people will say, 'that's been done for years,'" Steven Meyer, a Philadelphia-based patent attorney with the firm of **Woodcock Washburn LLP** ([www.woodcock.com](http://www.woodcock.com)), told *DIR*. "The challenge is coming up with something to prove it."

According to Meyer, evidence of prior art should be something that is available to the public through sources such as a library or the Internet. "This evidence could be found in magazine articles, white papers, journals, government records, and even advertising literature," Meyer told *DIR*. "**IBM** used to publish a technical disclosure bulletin that was often cited as evidence of prior art in patent lawsuits."

### **More Than 1,000 Claims Being Made**

From our read of the Information Processing Methodology patents, they seem to cover the following areas:

- setting up templates for automated data entry from scanned documents
- verifying, validating, and correcting this data
- unstructured forms processing
- full-text indexing
- retrieving images based on automated data entry processes

One key note is that the patents specifically state they apply to "processing information from a diversity of types of hard copy documents." This means that systems to automate data entry from a single type of document do not count as prior art.

From what we understand, Millennium has made more than 1,000 specific claims against the companies currently being sued for patent infringement. According to Meyer, defeating those claims will require proving invalidity "by clear and extending evidence." "This is a level somewhere between the 'preponderance of evidence' required in a civil case and the 'beyond a reasonable doubt' required in a criminal case," he explained.

The search for that evidence is now on. According to Meyer, this evidence should have been published before the first patent was applied for in 1991. LaserFiche, which has been selling document imaging systems since 1987, believes it can help develop a strong case. "Our founder Nien-Ling Wacker is quoted in a 1989 issue of the *Wall Street*

*Journal* discussing the paperless office," said John Weir, corporate communications director for LaserFiche. "LaserFiche has always been one of the innovators in the indexing and retrieval of images."

If you feel you have evidence that may be pertinent to this case, please feel free to contact *DIR*, and we will put you in touch with the appropriate people. Also, if you wish to lend financial support to this effort because you feel it could save you a large settlement payment down the road, please get in touch.

### **May The Best Side Win**

As a final note, and to avoid any possible legal hassles: we are not by any means saying these patents are invalid. We are merely stating that there are several industry veterans who have told us they believe this to be the case. In addition, no one we've talked to remembers System X.L.P. or any of the people associated with it, ever marketing an image capture or forms processing system. Because of the relatively small size of the imaging industry, we find this a bit curious. Unfortunately, we were unable to reach anyone at Millennium for their comments.

We will say this much. The patents are very well written and inclusive. They are also incredibly visionary.

We also understand that Medina is an African missionary. So, we don't doubt his integrity. We are sure that he, like the rest of us in the document imaging industry, would like to see this patent situation come to a just conclusion.

If there is prior art, and Millennium is unjustly earning money from the sweat of other people's brows, there is no question the situation should be stopped. However, if these patents are indeed the 12-year-old blueprints for what is rapidly growing into a billion dollar document and data capture industry—Millennium clearly deserves to reap its rewards, and these patents should be given their proper place in industry history. As more evidence is brought to light, we look forward to sharing it with *DIR* subscribers. ■■■

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### **IBML IMAGETRAC III, FROM PAGE 1**

been successful in very high-speed niche markets like airline ticket processing and service bureaus," said Reeves. "We expect the ImageTrac III to help us further penetrate markets with demands for a little less volume and complexity. These include healthcare (both in claims and patient records), legal offices, and the federal government."

For the first generation at least, IBML will continue to sell the ImageTrac III direct to resellers, bypassing the distribution channel favored by Kodak. IBML does have some plans, however, to make the ImageTrac III more attractive in the aforementioned markets. First, it plans to write integration programs to more tightly connect its SoftTrac capture platform to leading document management software applications.

"In the legal space, we view our competition mainly as digital copiers," said Reeves. "We offer a better transport for handling mixed batches of documents than any digital copier vendor. Currently, we are putting together a partnership with a vendor of high-speed printers that will help us create a very attractive copy/capture center for legal applications."

Reeves noted that the footprint of the ImageTrac III is almost identical to a single-pocket ImageTrac II model. "We looked at shortening the track in every way possible," he told *DIR*. "However, there was no way to do that without impeding our ability to handle paper. And superior paper handling is one thing our reputation is based on."

IBML was able to adjust its camera configuration to create room for an extra pocket. "By switching to a substantially different platform inside, we were able to reduce our cost," Reeves said. "The ImageTrac III does not have the expansion capabilities of the II, so we were able to do things like combine power supplies."

Because it does not feature as many variables, the ImageTrac III will also have a shorter turnaround

time. "With the ImageTrac II, from the time we receive an order, it typically takes 90 days to deliver a scanner," said Reeves. "With the III, that should be reduced to less than 30 days."

Overall, the ImageTrac III will probably compete most directly with Kodak's i840, a color model with rated speeds of 129 ppm portrait and 160 ppm landscape. The i840 lists for \$85,000 but does not come standard with as many features as the ImageTrac III. Ironically, the majority of support for the ImageTrac III should be coming from Kodak, whose Service and Support arm signed on as an authorized IBML worldwide service provider last year [see *DIR* 7/11/03].

**Böwe Bell & Howell's** Copiscan Spectrum 8125 model, which lists for \$45,000, could probably be considered a competitor, although it does not offer some of the advanced paper handling capabilities of the ImageTrac III. **BancTec**, **Scan-Optics**, and **Inotec** also have competitive models to the ImageTrac III, but have not achieved the sales volumes of Kodak or Bell & Howell.

Reeves laughed when we asked him why IBML was introducing a new product into such a crowded segment that most analysts consider to have flat growth potential at best. "We saw 35% growth last year, selling only ImageTrac IIs," he said. "And despite the fact we won't be shipping the ImageTrac III until the second quarter, we expect it to count for 20% of our unit sales in 2004."

For more information: **IBML**, Birmingham, AL, PH (205) 439-7100, [www.ibml.com](http://www.ibml.com). 

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