

# **Practical and Legal Issues in Utilization of Non-attorney Technologists: A Litigation Perspective**

As presented at the 2004 AIPLA Spring Meeting  
by Daniel W. McDonald and Deakin T. Lauer, Merchant & Gould, P.C.

**Merchant & Gould**  
*An Intellectual Property Law Firm*

## **Does the use of non-attorney technologists increase the risk of discovery of documents or information that would not otherwise be discoverable?**

Documents or information disclosed to attorneys can often be protected under the attorney-client privilege, and documents produced by attorneys can often be protected under the work product doctrine. These two protections allow attorneys to communicate effectively with their clients and prepare for trial without opposing counsel discovering and using information regarding these communications to their advantage in litigation. Does the use of non-attorney technologists in patent prosecution or for obtaining patent clearance opinions reduce the scope of these protections? There is little case law on this specific issue, but decisions regarding efforts to obtain similar types of documents in discovery suggest that the answer is "maybe."

### ***Attorney-client privilege***

The Federal Circuit held that the communication of invention records to a patent attorney is protected by the attorney-client privilege. By this holding, the Federal Circuit appears to have rejected the holdings of a number of district courts that communications to patent attorneys were not protected because patent attorneys act as a mere "conduit" between the client and the U.S. Patent and Trademark Office (PTO). In In re Spalding Sports Worldwide, Inc., 203 F.3d 800 (Fed. Cir. 2000), the Federal Circuit granted a petition for a writ of mandamus and the district court was instructed to vacate an order compelling production of the patentee's invention record. The inventor had submitted an invention record to the corporate legal department. The district court found that the patentee had not proven the applicability of the attorney/client privilege and that the accused infringer had made a prima facie showing of inequitable conduct.

The Federal Circuit rejected the rationale, and district court cases from the 1970's and 1980's that invoked the rationale, that an attorney is acting as a mere "conduit" between his client and the Patent and Trademark Office (PTO) that would render technical information and documents communicated to the attorney non-privileged. Instead, the court found that such communications are privileged.

The court found that whether the attorney-client privilege applied should be determined on a case-by-case basis. 203 F.3d at 805. "Accordingly, the central inquiry is whether the communication is one that was made by a client to an attorney for the purpose of obtaining legal advice or services."

Of some relevance to the non-attorney issue, the court "first noted" that the invention record was a communication to an attorney. Thus, the decision does not squarely address the issue at hand, and in fact deemed the attorney status of the communicating party of some significance. The court also found the communication was made for the purpose of obtaining legal advice, citing Sperry v. Florida, 373 U.S. 379,

383 (1963), for the proposition that "the preparation and prosecution of patent applications for others constitutes the practice of law."

What about those portions of the communications that were factual? The accused infringer contended that at least the list of prior art provided by the inventors to the attorney should be disclosed, but the court rejected this contention as well. "It is enough that the overall tenor of the document indicates that it is a request for legal advice or services." Id. at 806. Moreover, the court noted that it is not necessary for the communication to involve an express request for confidential legal assistance. The court found that, because technical information and prior art is necessary for an attorney to evaluate patentability or prepare a competent patent application, and because the invention record was prepared and submitted primarily for the purpose of obtaining legal advice on patentability and legal services in preparing a patent application, the communication in its entirety was privileged.

In deciding the privilege issue in Spalding, the Federal Circuit determined that it should determine the law rather than defer to the law of any regional court because the privilege issue "clearly implicates, at the very least, the substantive patent issue of inequitable conduct, and because analysis of an invention record is unique to patent law and clearly implicates substantive patent law." Id. at 803-804.

What are the implications of the issues in Spalding for non-attorney technologist communications? A number of issues arise with the use of non-attorney technologists that may eliminate or otherwise reduce the scope of protection afforded by the attorney-client privilege.

- Although the non-attorney technologist may be supervised by an attorney, it will likely be much easier to segregate the "non-legal" work performed by the technologist from the "legal" work performed by the attorney. As a result, courts may be much more willing to allow discovery of documents and information provided to the non-attorney technologist. Spalding suggests that the Federal Circuit would take a broad-brush view of disclosures involving non-attorneys, and not distinguish between those communications that were factual as opposed to legal advice. However, as shown below, courts have interpreted the decision as allowing production of factual materials related to attorney/client communications.
- Work being outsourced to non-attorney technologists will likely create more of a paper trail (electronic or otherwise). This will likely be the case because it will be necessary to communicate the information and documents to the non-attorney technologist, especially if they are in a remote location. E-mail is likely the preferred communication mode (in contrast to telephones, for example) where non-attorneys are in remote locations, especially if those remote locations are several time zones away, and especially if the non-attorney technologist is more effective at written than oral communications. The use of e-mail to communicate with outside technologists can be even more significant due to the fact that e-mail communications are typically saved or archived, making them available for discovery long after they are sent or received.
- Even if these additional communications involving an outside non-attorney technologist fall under the attorney-client privilege, these communications may have to be listed in a privilege log identifying the who, what, and when of the communications. This information in itself can be valuable to opposing counsel.

- Moreover, outsourcing information may increase the risk that the confidentiality of the information will be compromised. The circulation of otherwise-confidential information to individuals outside an organization could create a waiver of any attorney-client privilege that was once attached to that information.

### ***Work product doctrine***

Spalding dealt only with the attorney-client privilege. The attorney work product doctrine is another important tool for protecting information and documents from discovery by opposing counsel. The work product doctrine protects documents or things created by an attorney (or his agent) in anticipation of litigation or for use at trial. See, e.g., Hickman v. Taylor, 329 U.S. 495 (1947).

Generally, work performed in prosecuting a patent application is not in "anticipation of or concerning litigation." See, e.g., In re Gabapentin Patent Litigation, 214 F.R.D. 178, 184 (D.N.J. 2003). However, clearance opinions may be in anticipation of litigation (as well as attorney-client privileged) and thus may also be protected under the work product doctrine. This raises several questions when some or all of the clearance opinion is outsourced to a non-attorney.

- Is the non-attorney technologist acting as an agent for the attorney so that the work product doctrine would apply?
- Factual information is not protected under the work product doctrine. Since the non-attorney technologist is not truly performing any legal analysis it may be simpler for a court to determine that the work product of the technologist is not protected by the work product doctrine. If so, it may be possible to discover drafts of a patent application or patent clearance opinion.

### ***Foreign outsourcing***

Further complexity can be introduced if patent prosecution or clearance opinions are outsourced to individuals or companies outside of the United States. A district court decision citing the Spalding case illustrates the added complexities in applying the principals of Spalding when the facts cross international borders. The court ordered production of some documents but found that most documents were protected by the attorney/client privilege or work product doctrine and Astra Aktiebolag v. Andrix Pharmaceuticals, Inc., 208 F.R.D. 92 (S.D.N.Y. 2002). Much of the court's analysis was focused on the decision of what law to apply. The court decided that the Spalding analysis, focused on documents related to prosecution, did not apply because most of the documents at issue were litigation documents and correspondence transmitted between in-house counsel and their agents and outside foreign counsel for purposes of obtaining legal advice about the conduct of litigation overseas. The court applied the law of the Second Circuit because the issues did not implicate issues unique to patent law. 208 F.R.D. at 97. However, the court noted that the law of attorney/client privilege and work product protection is not substantively different between the Second and Federal Circuits.

Moreover, because most if not all of the challenged documents were foreign documents, the analysis turned to issues related to foreign law. The court found that the choice of law analysis was the same whether Second or Federal Circuit law was applied. The court cited law that indicated that in general, communications "touching base with the United States" would be governed by U.S. federal discovery rules while communications related to matters solely involving a foreign country would be governed by the applicable foreign statute. Where the communications take place in a foreign country or involve foreign attorneys or proceedings, the court defers to the law of the country that has the predominate or most direct and compelling interest and whether those communications should remain confidential, unless that foreign law is contrary to the public policy of the domestic forum. 208 F.R.D. at 98. The court focused on the place where the allegedly privilege relationship was entered into and the place in which the relationship was centered at the time the communication was sent, finding that the law of several different countries was implied regarding the documents at issue.

Some of the documents implicated German law. German law protects communications between a patent agent and his/or her clients. 208 F.R.D. at 99-100. The court found that German law did not impinge upon any significant policy of the domestic forum and thus sustain the claim of attorney/client privilege for these documents at issue under German law.

Some of the documents involve Korea. This analysis was complex, as Korea is a civil law country and did not have statutes that expressly dealt with non-disclosure of privileged or work product documents. The court nevertheless protected these documents because, under Korean law, none of the documents at issue would even be discoverable in a Korean civil suit. The court found it "hardly surprising" that Korea's substantive law relating to privilege and work product was not well developed since documents of the sort that would be addressed by such a statute would not be discoverable anyway. The court decided that, even though the communications did not "touch base" with the US, it would apply its domestic law of privilege and work product and not require disclosure of the documents that would be protected under American law and not discoverable under Korean law.

Portions of the court's decision involve the application of US law. The court noted the holding in Spalding that technical information or references to prior art and communications involving counsel do not render the documents discoverable. However, the court also noted that "attachments which do not, by their content, fall within the realm of the privilege cannot become privileged by merely attaching them to a communication with an attorney." 208 F.R.D. at 103.

In analyzing specific documents, the court sustained most of the claims of attorney/client privilege. The documents found to be privileged included documents that contain scientific information, including reports and data forwarded to overseas lawyers. These documents were prepared in response to the overseas

lawyers, or the domestic lawyers on the behalf of the overseas lawyers for the purpose of soliciting legal advice regarding foreign legal proceedings.

The court overruled the claim of attorney/client privilege for a document in Swedish. The party claiming privilege failed to provide a translation of the document, so the court found that it did not meet its burden to prove that privilege applied to the document, which had been submitted for an in-camera inspection. Other untranslated documents were also ordered to be produced in their entirety because the court could not determine whether the documents contained confidential communications.

The court also ordered production of certain documents in redacted form. Although the court recognized the finding in Spalding that it is not always appropriate to redact documents for the sake of producing non-privileged portions, it determined it was more important that the producing party not be allowed to conceal critical, non-privileged, discoverable information uniquely within its knowledge and not obtainable from other sources, after the party fails to remember the information, simply by imparting the information from its attorney and attempting to hide behind the work product doctrine. This part of the court's decision may be of particular interest to the issue of the use of non-attorney technologists, as it shows that post-Spalding courts are willing to carve portions of otherwise-protected documents for production even though Spalding suggests that such gerrymandering may be inappropriate.

International outsourcing of patent work to non-attorney technologists may create several complex legal questions that should be considered.

- Whose law applies to the analysis? What protections does the country where the work is being sent have in place to protect confidential communications? Are their discovery rules the same or similar to those in the U.S.?
- If patent work is performed abroad and a U.S. litigation subsequently ensues that implicates that work, will the outsourcer be required to pay to have the foreign technologist come the U.S. to be deposed?
- If the foreign technologist does not maintain information or documents as confidential, what recourse does the outsourcer have? Does the country where the foreign technologist is located have any protections or remedies available? What would be the expense of seeking those protections or remedies?

### **Does the risk of inequitable conduct rise with the use of non-attorney technologists?**

Under Rule 1.56 imposes a duty of candor on the inventor, the attorney prosecuting the patent application, and any other individual "associated with the filing and prosecution of a patent application." Thus, the

knowledge and actions of the attorney are chargeable to the applicant. FMC Corp. v. Manitowoc Co., Inc., 835 F.2d 1411, 1415 (Fed. Cir. 1987); Fox Indus. v. Structural Preservation Sys., Inc., 922 F.2d 801 (Fed. Cir. 1990).

In Brassler, USA I, L.P. v. Stryker Sales Corp., 267 F.3d 1370 (Fed. Cir. 2001), the court of appeals affirmed a finding of inequitable conduct where the inventor concocted a first sale date for the invention several weeks after the actual first sale. The inventors claim to have misunderstood the on-sale doctrine and thus not realize that the sale was material. The court agreed that, while counsel should investigate facts when there is reason to question their accuracy or completeness, there is no need for an attorney to pursue a fishing expedition to obtain information. On the facts here, the court found that there was an issue of failing to inquire when the attorneys were on notice of certain factual issues that may have been material to the prosecution to the patent application and had noticed that a potential on-sale bar problem existed.

With respect to the inventors' understanding of the materiality of the sales, the court stated inventors represented by counsel are presumed to know the law, and that the inventors here knew enough about the sales transaction to realize it was material information. The court rejected the inventors' claims that they had uncertainty about the law relating to an on-sale bar, finding this argument inconsistent with their claim that they were ignorant of the law. The court found that under any reasonable interpretation of the on-sale bar law, either before or after the Pfaff v. Wells decision, the information known to the inventors would be considered material information.

The outsourcing of patent prosecution work to non-attorney technologists may create additional burdens on the attorney involved in prosecution related to the duty of disclosure and, therefore, may open the door wider for mistakes leading to charges of inequitable conduct. The following are a few considerations related to inequitable conduct charges that may be implicated by outsourcing patent work to non-attorney technologist.

The technologist may be unfamiliar with U.S. patent law. It is the outsourcing attorney's duty to ensure that the technologist fully understands the duty to disclose material information to the USPTO. It is the responsibility of the U.S. practitioner to ensure that everything in the application or paper to be submitted to the USPTO is factually and legally proper. What is the reasonable inquiry that the U.S. practitioner must make prior to signing and submitting work product prepared by another? 37 C.F.R. § 10.18(b)(2) states that by presenting to the USPTO any paper, the party presenting the paper is certifying that: To the best of the party's knowledge, information and belief, formed after an inquiry reasonable under the circumstances, that --

- (i) The paper is not being presented for any improper purpose, such as to harass someone or to cause unnecessary delay or needless increase in the cost of prosecution before the

Office;

(ii) The claims and other legal contentions therein are warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law;

(iii) The allegations and other factual contentions have evidentiary support or, if specifically so identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery; and

(iv) The denials of factual contentions are warranted on the evidence, or if specifically so identified, are reasonably based on a lack of information or belief.

In other words, as one would expect, it is the obligation of the U.S. practitioner to ensure that any paper that is filed is accurate and truthful. When the work is outsourced far from the supervision of the U.S. practitioner, this duty may be harder to fulfill. At the very least, the U.S. practitioner should exercise particular caution in ensuring that the end product is appropriate and that any material art considered by the technologist is brought to the attention of the USPTO.

### **What implications under the Professional Rules of Responsibility may arise with the use of non-attorney technologists?**

Beyond the duty placed upon a U.S. practitioner by the PTO, state bar associations place additional duties upon attorneys. In their rules of professional conduct, many state bar associations require that a lawyer "exercise reasonable care to prevent employees, associates and others whose services the lawyer utilizes from disclosing or using confidences or secrets of a client." See, e.g., MN Rules of Professional Conduct R. 1.6(c). The information that is exchanged during patent prosecution is highly confidential. What steps would a U.S. attorney have to take to ensure that an outside technologist with access to highly confidential information treats it appropriately? If the information is transmitted through e-mail, what steps can be taken to ensure that the transmissions are secure? This may be of particular concern if the work is being outsourced overseas, where it is more difficult for the attorney to oversee the management of confidential information.

Another basic principle for lawyers in the U.S. is that they cannot take on clients if the representation of that client is directly adverse to another client. See, e.g., ABA Model Rules of Professional Conduct R. 1.7. A potential problem may arise if the technologist does not manage potential conflicts in an identical manner. What precautions can be taken to ensure that the technologist is not prosecuting patent applications for two companies that directly compete in the marketplace with the same technology? If the technologist does not have the same professional obligation to prevent such conflicts, what incentive does the technologist have to comply with the obligations of a U.S. attorney?

It would seem that the U.S. attorney has an obligation to make sure that conflicts do not arise with the technologist. This obligation could be implicated under either the general rule relating to conflicts of interest or under the provision that requires that attorneys "exercise reasonable care" in protecting confidential information.

Lawyers are also generally prohibited from assisting a person who is not a member of the bar "in the performance of activity that constitutes the unauthorized practice of law." See, e.g., ABA Model Rules of Professional Conduct R. 5.5. The note to this section provides that a lawyer may employ the services of paraprofessionals so long as the lawyer supervises the delegated work and retains responsibility for that work. Presumably, technologists could be considered paraprofessionals and, therefore, it is not inappropriate to delegate work to these technologists. However, special care should be taken in reviewing work that includes legal analysis (such as claim interpretation) in order to ensure that the U.S. attorney is not committing malpractice.

It should also be noted that a related provision of the rules of professional conduct requires that with respect to a nonlawyer employed or retained by or associated with a lawyer:

- (a) a partner in a law firm shall make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that the person's conduct is compatible with the professional obligations of the lawyer;
- (b) a lawyer having direct supervisory authority over the nonlawyer shall make reasonable efforts to ensure that the person's conduct is compatible with the professional obligations of the lawyer; and
- (c) a lawyer shall be responsible for conduct of such person that would be in violation of the Rules of Professional Conduct if engaged in by a lawyer if:
  - (1) the lawyer orders or, with the knowledge of the specific conduct, ratifies the conduct involved; or
  - (2) the lawyer is a partner in the law firm in which the person is employed, or has direct supervisory authority over the person, and knows of the conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action.

ABA Model Rules of Professional Conduct R. 5.3.

It is unclear whether this provision would apply to the use of technologists outside the firm to assist in patent prosecution or clearance opinions. However, depending on the degree of interconnection between the law firm and the technologist, an attorney may have additional supervisory responsibilities under his or her applicable rules of conduct.

## **What complications could be added to litigation by the use of non-attorney technologists?**

The use of non-attorney technologists may increase the costs of discovery.

- The use of a technologist creates an additional person that could be deposed in the litigation. It is not uncommon in patent lawsuits for the patent agent or attorney involved in the prosecution of the case to be deposed. This is particularly true when allegations of inequitable conduct are made. Accordingly, by including more people in the prosecution of a patent or a clearance opinion the number of possible deponents necessary increases.
- The increase in number of deponents can be especially costly if the technologist is located outside the U.S. Courts may require that the patent owner provide the overseas technologist in the U.S. for the deposition. To the extent it is known at the time of preparing an application that the patent will likely be enforced, that may suggest that cost-savings from having the work done overseas may be temporary at best. One trip to the U.S. by the overseas technologist for his deposition may substantially cancel out any savings that was achieved by outsourcing the work in the first place.
- The use of an additional party in the patent prosecution or clearance opinion creates additional communications and correspondences that may be discoverable. At the very least, they will need to be reported on a privilege log.
- Because the technologist will likely be in a different physical location from the outsourcer, e-mail will likely be a preferred form of communication. E-mails, in contrast with phone calls and in-person meetings, are generally archived and saved, and may be subject to discovery in a subsequent litigation.

## **What other strategic implications should be considered prior to using non-attorney technologists?**

- Outsourcing of U.S. jobs has never been particularly popular with Americans. This was true when it was manufacturing jobs that were being outsourced, and it is true today with service industry jobs. Representative of this sentiment, Congress recently introduced an anti-outsourcing bill. The bill, titled "Defending American Jobs Act of 2004," was introduced on March 4, 2004. The legislation proposes to cut federal funding from companies that lay off workers at higher rates in the U.S. than abroad and would require companies that apply for federal grants and loans to declare the salaries of employees in the U.S. and abroad. Could this negative public perception affect patent litigation? Often, the patent owner seeks to persuade the jury of the justness of its cause by claiming that "Good ol' American ingenuity" must be protected. If this card is played with a patent that has been outsourced to foreign technologists, however, that may undercut an otherwise-effective message.
- The Federal Circuit has indicated that a potential infringer has an affirmative duty to exercise due care to determine whether their conduct is infringing. This duty is currently under review, but as of today includes seeking and obtaining competent legal advice before initiating

possible infringing activity. See, e.g., Underwater Devices, Inc. v. Morrison Knudsen Co., Inc., 717 F.2d 1380 (Fed. Cir. 1983). A failure to exercise due care can result in increased damages by a finding of willful infringement. A patent clearance opinion prepared by a non-attorney technologist would not likely support a defense against willful infringement. Indeed, in Underwater Devices, the Federal Circuit pointed out that the opinion was not sufficient because it was received from an in-house attorney who was not a patent attorney.

If a patent attorney closely supervises the production of a patent clearance opinion, it is possible that a court will consider the opinion competent. However, by claiming advice of counsel as a defense to willfulness, the attorney-client privilege is waived with respect to those communications. Accordingly, opposing counsel may see drafts of the clearance opinion prepared by the technologist. This may create lines of cross-examination that show that the attorney's role in the opinion was more minimal than may appear at first glance, and assist the patentee in showing the purportedly-competent opinion was in fact primarily prepared by someone who is not even authorized to practice law. This risk is heightened because, as indicated above, outsourcing is likely to leave a more extensive electronic trail that may reveal more details regarding the non-technologist role than would normally be discoverable when an attorney used internal assistance.

## **CONCLUSION**

The law is not settled on many issues that could be involved in outsourcing patent work to technologists. Nevertheless, applying current law and practical implications for discovery and trial, it would appear that outsourcing creates the potential for problems regarding preservation of confidences and may lead to increased discovery costs. Consideration of these potential issues prior to deciding to outsource will ensure that the decision is in the client's best short-term and long-term interests, and that the client is not surprised by any of the issues that may arise.