LITIGATING OUTSOURCED PATENTS: HOW OFFSHORING MAY AFFECT THE ATTORNEY-CLIENT PRIVILEGE

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I. INTRODUCTION

Patent-related legal services are increasingly outsourced to India, where highly skilled scientists, engineers, and lawyers perform many of the same tasks as American patent attorneys and agents, for a fraction of the cost. Offshoring[1] is not unique to patent law—legal research, contract drafting, litigation support, and other legal services are also sent overseas. But offshoring patent-related legal services raises interesting questions because the services are often intertwined with scientific or technical information, and many of these tasks may be performed by non-lawyers registered to practice before the United States Patent and Trademark Office ("the Patent Office"). Both in-house legal departments and law firms alike are sending legal work overseas. Offshoring allows in-house legal departments to operate more efficiently and allows law firms to focus on more profitable, complex legal matters. In fact, as of January 1, 2006, the Patent Office itself began offshoring searching and examining functions for international applications.[2]

Captive centers or third-party vendors may perform legal services offshore. Captive centers are dedicated centers of law firms or corporations that operate offshore.[3] They require a large investment by the law firm or corporation but permit the most control over the offshored services.[4] Law firms, such as CPA Global and Lexadigm, have

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1. "Offshoring" refers to transferring internal business operations to another country, whether the work remains within the company or not. *See Outsourcing*, WIKIPEDIA: THE FREE ENCYCLOPEDIA (Sept. 30, 2006), http://en.wikipedia.org/wiki/Outsourcing (comparing "outsourcing," "offshoring," and "offshore outsourcing"). "Outsourcing" refers to transferring internal business operations to an external entity. *Id.*

2. United States Patent and Trademark Office, United States and Korean Patent Offices Enter Into Agreement on International Search and Examination Services (Dec. 21, 2005), http://www.uspto.gov/main/homepagenews/bak21dec2005.htm. The Korean Intellectual Property Office "will act as an available international searching and examining authority for international applications filed with the USPTO under the Patent Cooperation Treaty (PCT)." *Id*.

3. *See* Alok Aggarwal, *Offshoring Patent Drafting and Prosecution Services*, INTELL. PROP. TODAY, May 2005, at 38; Scott C. Harris, *Outsourcing, Offshoring*, NAT'L L.J., Sept. 12, 2005, at 14.

4. *See* Harris, *supra* note 3, at 14.

set up captive centers in India to provide patent-related legal services.[5] Corporations that have set up captive centers in India to provide patent-related legal services include GE, Cisco, Oracle, and DuPont.[6] In contrast to captive centers, third-party vendors are independent contractors that provide legal services to law firms and corporations.[7] Third-party vendors in India that provide patent-related legal services include Evalueserve and Pangea3.[8] The patent-related services typically offshored include literature and prior art searches, patentability assessment, patent application drafting, patent prosecution, patent proofreading, and patent claim mapping.[9] While the potential cost-savings is substantial, offshoring patent-related legal services raises a number of legal issues.

Part II of this Recent Development introduces the issues associated with offshoring patent-related legal services. Next, Part III discusses the applicability of the attorney-client privilege to communications relating to the preparation and prosecution of patent applications. Then, Part IV explores how offshoring may affect the attorney-client privilege. This Recent Development posits that offshoring has the potential to affect the attorney-client privilege in at least two respects. First, offshoring may result in less protection for communications relating to the preparation and prosecution of patent applications because offshoring provides courts with a greater ability to separate technical from non-technical communications.[10] Second, courts may find that the attorney-client privilege does not protect communications with foreign workers engaged in offshoring.[11]

II. ISSUES ASSOCIATED WITH OFFSHORING PATENT-RELATED LEGAL SERVICES

A. The Unpopularity of Offshoring

Offshoring entails sending work formerly provided to employees in the United States to another country, which is generally unpopular with the American public. A law firm's reputation—often its selling point to clients—has the potential to be tarnished if the firm engages in

5. *See* CPA Global, http://www.cpaglobal.com (last visited Sept. 30, 2006); Lexadigm Solutions LLC, http://www.lexadigm.com (last visited Sept. 30, 2006).

6. *See* ValueNotes, Offshoring Legal Services to India, http://www.valuenotes.biz/bpo/legaloutsourcing.asp (last visited Sept. 30, 2006).

7. *See* Aggarwal, *supra* note 3, at 38; Harris, *supra* note 3, at 14.

8. *See* Evalueserve, http://www.evalueserve.com (last visited Sept. 30, 2006) (providing legal services as well as additional services); Pangea3, http://www.pangea3.com (last visited Sept. 30, 2006) (focusing exclusively on legal services).

9. *See* Aggarwal, *supra* note 3, at 38.

10. *See infra* Part IV.A.

11. *See infra* Part IV.B.

offshoring.[12] However, some recent positive publicity regarding offshoring has led many firms, even small firms, to at least consider offshoring legal services.[13] While some consider this practice objectionable, others consider it sound business. Corporations have regularly outsourced and offshored business services in order to reduce costs. For this reason, corporations may receive less public scrutiny for offshoring legal services than law firms.

B. Quality Concerns

A chief concern with offshoring patent-related legal services is that the quality of the work may be inadequate, mainly due to language barriers and unfamiliarity with U.S. law.[14] For complex inventions, patent attorneys and agents often speak directly with the inventor or may even meet in person. This is often impractical in an offshoring arrangement. Offshoring proponents claim that Indian employees are provided with the necessary training to adequately perform the tasks and often have superior scientific and engineering training compared to their U.S. counterparts.[15] Furthermore, both U.S. and Indian law are derived from English common law, reducing the training necessary for Indian lawyers to understand U.S. law.[16]

Quality concerns result in U.S. companies having to carefully review offshored work. The extra time needed to closely scrutinize the work reduces some of the cost-savings of offshoring. Also, with respect to the quality of a patent, many consider it unwise to sacrifice any degree of quality for cost-savings.[17] For example, at the time of drafting a patent application, it is often difficult, if not impossible, to determine the value of the invention. Patent claim drafting is a skilled art, where a single word may result in the difference between having a highly valuable patent and having a patent with no value whatsoever. Accordingly, a poorly drafted patent could cost a company large sums of money in the form of licenses, litigation, or positioning in a field.

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12. *See* William O'Shea, *Legal Outsourcing: Caseload Grows for Advocates in Absentia*, FIN. TIMES, Oct. 4, 2004, at 10.

13. *See* Ann Sherman, *Should Small Firms Get on Board with Outsourcing?*, SMALL FIRM BUS., Sept. 12, 2005, at 37.

14. *See* Jennifer Fried, *Foreign Outside Counsel: Law Departments Cut Costs by Sending Work Abroad*, N.Y. L.J., Jan. 22, 2004, at 5 (2004).

15. *See* Harris, *supra* note 3, at 14.

16. *See* Eric Bellman & Nathan Koppel, *More U.S. Legal Work Moves to India's Low-Cost Lawyers*, WALL ST. J., Sept. 28, 2005, at B1.

17. *See* Fried, *supra* note 14, at 5.

C. U.S. Export Regulations

The United States imposes export controls on the export of goods and technical information, which includes information sent via e-mail.[18] U.S. corporations and law firms must comply with these regulations when sending work offshore. The fact that the regulations are not centralized—various federal departments and agencies enact regulations—complicates compliance.[19] Depending on the technology, the export of information needed to prepare and prosecute a patent application may be subject to no restrictions, restrictions to some destinations but not others, or restrictions to all destinations.[20] Corporations and law firms that repeatedly deal with similar technologies will be able to research the issue once, thereby mitigating the cost of compliance. However, for corporations and law firms that deal with myriad technologies, complying with export regulations may be burdensome and may significantly reduce the cost-savings of offshoring.

D. Confidentiality Issues

There are concerns over the degree with which firms in India will keep information confidential. Confidentiality standards in India are more relaxed than those in the United States.[21] Also, India's data protection laws are not as strict as those in the United States and Europe.[22] Even if India strengthened its laws, enforcement may remain an issue. There is the potential that firms in India may provide services to clients that have conflicting interests, contrary to conflict rules imposed on U.S. law firms.[23] Consequently, there is a risk that a company's important business information may be disclosed to one of its competitors. These confidentiality issues result in some law firms and corporations viewing offshoring patent-related legal services with skepticism.

E. Litigation Issues

Various issues may arise if an offshored patent became subject to litigation. First, the cost of deposing the workers in India involved in preparing and prosecuting the patent application would be substantial. Additionally, offshoring enlarges the paper trail of the communication

18. *See* Daniel B. Pollack & Vid R. Bhakar, Outsourcing Patent Applications: Issues to Consider Before Jumping on the Bandwagon (May 2005), http://library.findlaw.com/2005/May/17/174527.html.

19. *Id*. For instance, the U.S. Department of State regulates technology relating to military applications, while the U.S. Department of Commerce regulates technology that is exported to certain countries. *Id*.

20. *Id*.

21. Jeff Blumenthal, *A Gateway to India?*, LEGAL INTELLIGENCER, May 17, 2005, at 6.

22. *See* O'Shea, *supra* note 12, at 10.

23. *See* Helen Coster, *Briefed in Bangalore*, AM. LAW., Nov. 1, 2004, at 99.

because information would have to be sent to and from workers in India. One of the questions raised by offshoring patent-related legal services is how it will affect the applicability of the attorney-client privilege to certain documents and communications. This issue is discussed in greater detail in Parts III and IV.

III. THE APPLICABILITY OF THE ATTORNEY-CLIENT PRIVILEGE TO COMMUNICATIONS RELATING TO THE PREPARATION AND PROSECUTION OF PATENT APPLICATIONS

In patent litigation, courts have traditionally wrestled with the applicability of the attorney-client privilege to communications relating to the preparation and prosecution of patent applications. One problem stems from the scientific and technical nature of the communications. Additionally, patent law is distinct in that patent attorneys and patent agents may perform the same tasks in certain circumstances.[24] Moreover, because of the specialized nature of patent law, the makeup of preparing and prosecuting patent applications is at times misunderstood. These complexities have led courts to have difficulty deciding whether the attorney-client privilege protects communications between patent attorneys and clients.[25] Outsourcing patent-related legal services may further complicate matters. Offshoring inherently requires U.S. patent attorneys to communicate information to foreign workers, which may lead to serious consequences.

A. Overview of the Attorney-Client Privilege

The attorney-client privilege protects confidential communications between an attorney and client for the purpose of obtaining or providing legal assistance.[26] It is the oldest privilege protecting confidential communications known to the common law.[27] This privilege encourages clients to seek legal advice, promotes full communication between attorneys and clients, and enables attorneys to provide more effective representation.[28] The attorney-client privilege only protects the communication between attorneys and clients, not the underlying facts.[29]

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24. Patent agents are registered to practice before the Patent Office but are not members of a state bar (i.e., they are not lawyers).

25. *See infra* Part III.B.

26. Fisher v. United States, 425 U.S. 391, 403 (1976). The two traditional formulations setting forth the elements of the attorney-client privilege come from Judge Wyzanski and Dean Wigmore. *See* United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 358–59 (D. Mass. 1950); 8 JOHN H. WIGMORE, EVIDENCE IN TRIALS AT COMMON LAW § 2290, at 542–43 (John T. McNaughton ed., rev. 1961).

27. Upjohn Co. v. United States, 449 U.S. 383, 389 (1981) (citing 8 WIGMORE, *supra* note 26, at 542).

28. *Id.*; *Fisher*, 425 U.S. at 403.

29. *Upjohn*, 449 U.S. at 395–96.

Courts have consistently construed the attorney-client privilege narrowly in order to avoid concealing the truth.[30]

B. The Applicability of the Attorney-Client Privilege to Communications with Patent Attorneys

Whether the attorney-client privilege protects communications between a patent attorney and client relating to the preparation and prosecution of patent applications is a question that courts have struggled to answer.[31] In early decisions, most courts held that the attorney-client privilege did not protect communications relating to the preparation and prosecution of patent applications.[32] In *United States v. United Shoe Machinery Corp.*,[33] the court found no privilege between employees of a corporation's in-house patent department, consisting of lawyers and non-lawyers, and the client.[34] The court reasoned that the patent department primarily provided business advice, not legal advice, because the department considered technical aspects such as the manufacturing process of the shoe machinery industry.[35] Likewise, in *Zenith Radio Corp. v. Radio Corp. of America*,[36] the court found that patent attorneys did not act as lawyers when considering prior art, drafting patent specifications and claims, preparing patent applications, and prosecuting patent applications before the Patent Office, among other tasks, and consequently held that the attorney-client privilege did not apply.[37] According to the court, these were not "hallmark activities of attorneys" because non-lawyers, such as patent agents, could practice before the Patent Office as well.[38]

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30. *See* Paul R. Rice, *Attorney-Client Privilege: Continuing Confusion About Attorney Communications, Drafts, Pre-existing Documents, and the Source of the Facts Communicated*, 48 AM. U. L. REV. 967, 970 (1999).

31. *See generally* Daniel A. DeVito & Michael P. Dierks, *Exploring Anew the Attorney-Client Privilege and Work-Product Doctrine in Patent Litigation: The Pendulum Swings Again, This Time in Favor of Protection*, 22 AIPLA Q.J. 103, 109–117 (1994) (comparing courts' applications of the attorney-client privilege over time to a pendulum swinging).

32. *Id*. at 109.

33. 89 F. Supp. 357 (D. Mass. 1950).

34. *Id*. at 360–61.

35. *Id*. at 360.

36. 121 F. Supp. 792 (D. Del. 1954).

37. *Id*. at 794. According to the court in *Zenith*:

> [Patent attorneys] do not 'act as lawyers' when not primarily engaged in legal activities; when largely concerned with technical aspects of a business or engineering character, or competitive considerations in their companies' constant race for patent proficiency, or the scope of public patents, or even the general application of patent law to developments of their companies and competitors; when making initial office preparatory determinations of patentability based on inventor's information, prior art, or legal tests for invention and novelty; when drafting or comparing patent specifications and claims; when preparing the application for letters patent or amendments thereto and prosecuting same in the Patent Office; when handling interference proceedings in the Patent Office concerning patent applications.

Id.

38. *Id*. at 794 n.1. Around this time, other courts similarly held that patent attorneys who primarily engaged in preparation and prosecution did not act as lawyers. *See* Georgia-Pac. Plywood

This trend shifted when, in *Sperry v. Florida*,[39] the Supreme Court held the preparation and prosecution of patent applications constitutes the practice of law.[40] The question arose when the Florida Bar asserted a practitioner registered to practice before the Patent Office was engaged in the unauthorized practice of law.[41] The Court stated, with regard to the preparation and prosecution of patent applications:

> Such conduct inevitably requires the practitioner to consider and advise his clients as to the patentability of their inventions . . . as well as to consider the advisability of relying upon alternative forms of protection which may be available under state law. It also involves his participation in the drafting of the specification and claims of the patent application, . . . which this Court long ago noted "constitute[s] one of the most difficult legal instruments to draw with accuracy."[42]

The Court in *Sperry* did not specifically address whether the attorney-client privilege protected communications relating to the preparation and prosecution of patent applications. However, the Court's position that preparation and prosecution constitute the practice of law upended the reasoning of the earlier courts that found no privilege based on the view that patent attorneys did not act as lawyers. After *Sperry*, courts increasingly found that the attorney-client privilege protected communications between a patent attorney and client relating to the preparation and prosecution of patent applications.[43]

Co. v. U.S. Plywood Corp., 18 F.R.D. 463, 464 (S.D.N.Y. 1956) ("Communications dealing exclusively with the solicitation or giving of business advice, or with the technical engineering aspects of patent procurement or with any other matters which may as easily be handled by laymen are not privileged."). *See also* Am. Cyanamid Co. v. Hercules Powder Co., 211 F. Supp. 85, 89–90 (D. Del. 1962) (finding that a list of patents, infringement study, and list of prior art were not prepared by an attorney "acting as a lawyer"). *But see* Ellis-Foster Co. v. Union Carbide & Carbon Corp., 159 F. Supp. 917, 920 (D.N.J. 1958). In *Ellis-Foster*, the court stated:

> I find myself unable to agree with the implied contention that because an attorney happens to be engaged in the field of patents, in which field non-attorneys are authorized to practice, he is ipso facto deprived of his status as a lawyer in every activity in which he operates so long as patent prosecution is involved. There is enough confusion, sometimes thrice confounded, resulting from derogation from the functions of attorneys, and trespass on their proper sphere of activity.

Id.

39. Sperry v. Florida *ex rel.* Florida Bar, 373 U.S. 379 (1963).

40. *Id*. at 383.

41. *Id*. at 381.

42. *Id*. at 383 (quoting Topliff v. Topliff, 145 U.S. 156, 171 (1892)).

43. *See* Chore-Time Equip., Inc. v. Big Dutchman, Inc., 255 F. Supp. 1020, 1023 (W.D. Mich. 1966) ("Where a lawyer possesses multifarious talents, his clients should not be deprived of the attorney-client privilege, where applicable, simply because their correspondence is also concerned with highly technical matters. Patent lawyers should not be banished to the status of quasilawyers by reason of the fact that besides being skilled in the law, they are also competent in scientific and technical areas."). *See also* Sperti Prods., Inc. v. Coca-Cola Co., 262 F. Supp. 148, 149–151 (D. Del. 1966) (summarizing case law and finding many communications relating to preparation and prosecution privileged). *But see* Underwater Storage, Inc. v. U.S. Rubber Co., 314 F. Supp. 546, 548 (D.D.C. 1970) (finding no privilege with communications relating to determining patentability, drafting patent specifications, and prosecuting applications before the Patent Office because they could have been done by nonlawyers).

This trend shifted back, however, in *Jack Winter, Inc. v. Koratron Co.*,[44] when the court found a novel reason to find the attorney-client privilege inapplicable. The court determined that under the patent laws, a patent attorney had the obligation to turn over *all* technical information communicated to him to the Patent Office.[45] The court then reasoned that a patent attorney acts as a mere "conduit" between his client and the Patent Office.[46] This led the court to conclude that the communication was not in confidence, and so the attorney-client privilege did not apply.[47] In a later proceeding,[48] the court found no privilege in the patent application's technical information, but concluded that documents primarily concerned with giving legal advice were privileged.[49] The simplistic view of the role of a patent attorney expressed in *Jack Winter* led many courts to hold that the attorney-client privilege does not protect communications between a patent attorney and client relating to the preparation and prosecution of patent applications.[50]

This trend shifted once again, in *Knogo Corp. v. United States*,[51] when the court attacked the "conduit" theory by distinguishing between a patent attorney's duty of disclosure to the Patent Office and the "mere funneling of technical information from the client through the attorney to the Patent Office."[52] The court called the "conduit" theory an "inaccurate, and uninformed characterization of the patent attorney's role in the preparation and prosecution of a patent application."[53] The court found that the communications between a patent attorney and client, even if primarily concerned with technical information, should nevertheless be afforded the protection of the attorney-client privilege.[54] Many courts endorsed the reasoning in *Knogo*, while others continued to follow the *Jack Winter* line of cases.[55]

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44. 50 F.R.D. 225 (N.D. Cal. 1970).

45. *Id*. at 228.

46. *Id*.

47. *Id.*

48. Jack Winter, Inc. v. Koratron Co., 54 F.R.D. 44 (N.D. Cal. 1971).

49. *Id.* at 47.

50. *See, e.g.*, Detection Sys., Inc. v. Pittway Corp., 96 F.R.D. 152, 155 (W.D.N.Y. 1982); Sneider v. Kimberly-Clark Corp., 91 F.R.D. 1, 5 (N.D. Ill. 1980); Ashland Oil Inc. v. Delta Oil Prods. Corp., 209 U.S.P.Q. 151, 153 (E.D. Wis. 1979); Choat v. Rome Indus., Inc., 462 F. Supp. 728, 732 (N.D. Ga. 1978).

51. 213 U.S.P.Q. 936 (Ct. Cl. 1980).

52. *Id*. at 940. A patent attorney's duty of disclosure to the Patent Office is limited to information that is material to the patentability of the invention. 37 C.F.R. § 1.56.

53. *Knogo*, 213 U.S.P.Q. at 940.

54. *Id*. at 941.

55. *Compare* Rohm & Haas Co. v. Brotech Corp., 815 F. Supp. 793, 795–97 (D. Del. 1993) (protecting draft patent applications), Advanced Cardiovascular Sys. Inc. v. C.R. Bard, Inc., 144 F.R.D. 372, 374–78 (N.D. Cal. 1992) (protecting communication made in connection with the preparation and prosecution of patent applications), Cuno, Inc. v. Pall Corp., 121 F.R.D. 198, 202 (E.D.N.Y. 1988) (protecting invention submissions), *and* Minn. Mining & Mfg. Co. v. Ampad Corp., 7 U.S.P.Q.2d 1589, 1590–91 (D. Mass. 1987) (protecting an invention record and patent proposal), *with* Howes v. Med. Components, Inc., 7 U.S.P.Q.2d 1511, 1512 (E.D. Pa. 1988) (refusing to protect draft

More recently, in *In re Spalding Sports Worldwide, Inc.*,[56] the Court of Appeals for the Federal Circuit held an invention record[57] communicated from an inventor to a patent attorney was protected under the attorney-client privilege.[58] The court considered the "overall tenor" of the communication[59] and expressly followed *Knogo* and its progeny.[60] However, the Federal Circuit did not fully dispose of the *Jack Winter* line of cases,[61] only mentioning the case and its progeny in a footnote and failing to specifically point out its shortcomings.[62] Additionally, the court narrowly limited its holding to inventor records.[63] As a result, while the court strengthened the argument that communications between a patent attorney and client relating to the preparation and prosecution of patent applications should be protected by the attorney-client privilege, it left open the possibility for future courts to revive the reasoning from the *Jack Winter* line of cases.[64]

The Federal Circuit in *Spalding* considered the issue of whose law should apply—the law of the regional circuits or the law of the Federal Circuit—when determining whether the attorney-client privilege protects the communication.[65] The general rule in patent litigation is that district courts apply the law of the Federal Circuit with respect to issues of substantive patent law, but apply the law of the regional circuits with respect to non-patent issues.[66] A procedural issue that is not itself a

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patent applications), *and* Bulk Lift Int'l, Inc. v. Flexcon & Sys., Inc., 122 F.R.D. 482, 492–93 (W.D. La. 1988) (refusing to protect communication made in connection with the preparation and prosecution of patent applications).

56. 203 F.3d 800 (Fed. Cir. 2000).

57. The court described invention records as:

> standard forms generally used by corporations as a means for inventors to disclose to the corporation's patent attorneys that an invention has been made and to initiate patent action. They are usually short documents containing space for such information as names of inventors, description and scope of invention, closest prior art, first date of conception and disclosure to others, dates of publication, etc.

Id. at 802 n.2.

58. *Id*. at 805.

59. *Id*. at 806.

60. *Id*. at 805–06.

61. *See* Jonathan G. Musch, Note, *Attorney-Client Privilege and the Patent Prosecution Process in the Post-*Spalding *World*, 81 WASH. U. L.Q. 175, 189–191 (2003); Matthew R. Rodgers, Note, *Patent Law: Attorney-Client Privilege in Patent Litigation: Did the Federal Circuit Go Far Enough with* In re Spalding Sports Worldwide*?*, 55 OKLA. L. REV. 731, 749–752 (2002).

62. *Spalding*, 203 F.3d at 806 n.3 ("We are aware of several district court opinions that have held that technical information communicated to an attorney, and documents relating to the prosecution of patent applications are non-privileged, based on the rationale that the attorney is acting as a mere 'conduit' between his client and the Patent and Trademark Office ('PTO'). However, these cases did not deal specifically with invention records, and moreover, they are not binding on this court. We conclude that the better rule is the one articulated in this case." (citations omitted)).

63. *Id*.

64. *See* Rodgers, *supra* note 61, at 748; Musch, *supra* note 61, at 189.

65. *Spalding*, 203 F.3d at 803. The Court of Appeals of the Federal Circuit was created, in part, to provide uniformity in patent cases. *See* South Corp. v. United States, 690 F.2d 1368, 1371 (Fed. Cir. 1982). It has exclusive jurisdiction over appeals from district courts whose jurisdiction was based, in whole or in part, on claims arising under the patent laws. 28 U.S.C. § 1295(a)(1) (2000).

66. *Spalding*, 203 F.3d at 803.

substantive patent law issue is nevertheless controlled by Federal Circuit law "if the issue pertains to patent law, if it bears an essential relationship to matters committed to [the Federal Circuit's] exclusive [jurisdiction] by statute, or if it clearly implicates the jurisprudential responsibilities of [the Federal Circuit] in a field within its exclusive jurisdiction."[67] In *Spalding*, the Federal Circuit found that whether an invention record is discoverable pertains to substantive patent law, namely patent protection, and also implicates the substantive patent issue of inequitable conduct.[68] Thus, the court found that Federal Circuit law applied with respect to whether the invention record was protected by the attorney-client privilege.[69] This reasoning that the law of the Federal Circuit is controlling is likely to prevail when considering other aspects of the preparation and prosecution of patent applications as well.

C. The Applicability of the Attorney-Client Privilege to Communications with Patent Agents

Besides considering whether the attorney-client privilege protects communications between a patent attorney and client, courts have also wrestled with the question of whether the attorney-client privilege protects communications between a patent *agent* and client. There are two potential ways that communications between patent agents and clients can be privileged. First, the communication between a patent agent and client can be subject to the attorney-client privilege on an independent basis, where a patent agent is equated to a patent attorney. Second, the privilege can extend from the privilege between a patent attorney and client, due to the nature of the relationship between the patent attorney and patent agent.

The Supreme Court's position in *Sperry*, that the preparation and prosecution of patent applications constitutes the practice of law,[70] led some courts to hold that the attorney-client privilege protects communications between a patent agent and client on an independent basis, in the same way that it protects communications between a patent attorney and client.[71] In *In re Ampicillin Antitrust Litigation*,[72] the court reasoned that patent agents, like patent attorneys, provide legal services,

67. *Id.* (quoting Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356, 1359 (Fed. Cir. 1999)).

68. *Id.* at 803–04. Interestingly, the Federal Circuit has held that regional circuit law should apply when considering the issue of waiver of the attorney-client privilege. *See In re* Pioneer Hi-Bred Int'l, Inc., 238 F.3d 1370, 1374 (Fed. Cir. 2001).

69. *Spalding*, 203 F.3d at 803–04.

70. Sperry v. Florida *ex rel.* Florida Bar, 373 U.S. 379, 383 (1963).

71. *See, e.g.*, *In re* Ampicillin Antitrust Litig., 81 F.R.D. 377, 393–94 (D.D.C. 1978); Stryker Corp. v. Intermedics Orthopedics, Inc., 145 F.R.D. 298, 304 (E.D.N.Y. 1992); Dow Chem. Co. v. Atlantic Richfield Co., 227 U.S.P.Q. 129, 134 (E.D. Mich. 1985); Vernitron Med. Prods., Inc. v. Baxter Labs., Inc., 186 U.S.P.Q. 324, 325 (D.N.J. 1975).

72. 81 F.R.D. 377.

have a full knowledge of patent law, are permitted to practice before the Patent Office, and are regulated by the same standards.[73] The court then concluded that because patent agents are treated as equals to patent attorneys in proceedings before the Patent Office, the attorney-client privilege should apply equally to patent agents as well.[74] Still, other courts refuse to independently apply the attorney-client privilege to communications between a patent agent and client.[75]

If courts do not allow communications between a patent agent and client to be protected on an independent basis, the communications may be protected as an extension of an existing attorney-client privilege between a patent attorney and client, based on the relationship between the patent attorney and patent agent. As a general rule, the attorney-client privilege protecting communications between an attorney and client extends to secretaries, law clerks, junior attorneys, and others who are under the personal supervision of the attorney.[76] In this manner, courts have held that the attorney-client privilege may extend to a patent agent if a patent attorney supervises the patent agent.[77] However, courts vary as to the degree of supervision necessary in order for the attorney-client privilege to pass from a patent attorney to a patent agent.[78]

D. The Applicability of the Attorney-Client Privilege to Communications with Foreign Patent Professionals

Because a patent confers rights within individual nations, patent applicants often seek patent protection in multiple countries. The question of whether the attorney-client privilege protects communications between a foreign patent professional and client is exceedingly complex due to the international legal issues that arise.[79] A

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73. *Id*. at 393.

74. *Id*.

75. *See, e.g.,* Status Time Corp., v. Sharp Elecs. Corp., 95 F.R.D. 27, 31 (S.D.N.Y. 1982); Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1169 (D.S.C. 1975); Joh. A. Benckiser G.m.b.H. v. Hygrade Food Prods. Corp., 253 F. Supp. 999, 1002 (D.N.J. 1966). *See generally* Virginia J. Harnisch, *Confidential Communications Between Clients and Patent Agents: Are They Protected Under the Attorney-Client Privilege?*, 16 HASTINGS COMM. & ENT. L.J. 433, 439–44 (1994); James J. Merek & David A. Guth, *The Attorney-Client Privilege and U.S. Patent Agents: A Workable Rule for Protecting Communications*, 76 J. PAT. & TRADEMARK OFF. SOC'Y 591, 594–597 (1994).

76. *See* Zenith Radio Corp. v. Radio Corp. of Am., 121 F. Supp. 792, 794 (D. Del. 1954).

77. *See, e.g.,* Gorman v. Polar Electro, Inc., 137 F. Supp. 2d 223, 227 (E.D.N.Y. 2001); Golden Trade, S.r.L. v. Lee Apparel Co., 143 F.R.D. 514, 518–19 (S.D.N.Y. 1992); W.R. Grace & Co. v. Pullman Inc., 446 F. Supp. 771, 776 (W.D. Okla. 1976).

78. *Compare Golden Trade*, 143 F.R.D. at 518 ("If the patent agent is acting to assist an attorney to provide legal services, the communications with him by the attorney or the client should come within the ambit of the privilege."), *with* Burlington Indus. v. Exxon Corp., 65 F.R.D. 26, 40 (D. Md. 1974) ("The agents of the attorney for purposes of the privilege, however, are those persons *essential* to the lawyer's performance of legal services." (emphasis added)).

79. *See generally* James N. Willi, *Proposal for a Uniform Federal Common Law of Attorney-Client Privilege for Communications with U.S. and Foreign Patent Practitioners*, 13 TEX. INTELL. PROP. L.J. 279, 307–335 (2005); Daiske Yoshida, Note, *The Applicability of the Attorney-Client Privilege to Communications with Foreign Legal Professionals*, 66 FORDHAM L. REV. 209, 227–238 (1997).

majority of courts use a choice of law analysis to determine whether the attorney-client privilege protects the communications.[80] Under this approach, in general, U.S. law controls issues related to communications involving the United States, while the law of the foreign country controls issues related to communications solely involving the foreign country.[81] Other courts simply apply U.S. law.[82]

Similar to the case of U.S. patent agents, under U.S. law there are two ways that communications between a foreign patent professional and client can be privileged: independently or extending from an existing attorney-client privilege. Some courts have held that there is no independent basis for the attorney-client privilege between a foreign patent professional and client, and the privilege cannot extend to foreign patent professionals from their relationship with a U.S. patent attorney.[83] Other courts have found no independent basis for the attorney-client privilege, but have instead found that the privilege can extend to foreign patent professionals acting under the supervision of a U.S. patent attorney.[84] Still other courts have found an independent basis for the attorney-client privilege when a foreign patent professional functions as a legal practitioner, similar to the courts that have found an independent basis for protecting communications between a U.S. patent agent and client.[85]

IV. HOW OFFSHORING PATENT-RELATED LEGAL SERVICES MAY AFFECT THE ATTORNEY-CLIENT PRIVILEGE

Offshoring patent-related legal services has the potential to affect the applicability of the attorney-client privilege in at least two respects. First, offshoring may result in less protection for communications relating to the preparation and prosecution of patent applications. This is because offshoring provides courts with a greater ability to separate technical and non-technical communications. Second, courts may find the attorney-client privilege does not protect communications with foreign workers engaged in offshoring.

A. Offshoring May Result in Less Protection for Communications Relating to the Preparation and Prosecution of Patent Applications

While it is highly improbable that courts will once again question the general applicability of the attorney-client privilege to communications between a patent attorney and client, offshoring may

80. *See* Willi, *supra* note 79, at 317.
81. *See* Harnisch, *supra* note 75, at 445–46.
82. *See* Willi, *supra* note 79, at 307.
83. *Id*. at 307–08 (describing the "bright line" approach).
84. *Id*. at 310 (describing the "immediate subordinate" approach).
85. *Id*. at 315 (describing the "functional" approach).

result in the protection of fewer communications because it provides courts with a greater ability to separate technical and non-technical communications. When patent-related legal work is outsourced, U.S. patent attorneys may separate legal information from technical information, communicating the more technical, non-legal information to foreign workers. For instance, when a U.S. patent attorney offshores the drafting of a patent application, the attorney may assign the drafting of the figures and technical portions of the detailed description to foreign workers, while drafting the claims, background section, and more legal portions of the detailed description himself.[86] Thus, patent attorneys may segment and compartmentalize communications to foreign workers when offshoring patent-related services.

As communications become divided in this way, it potentially provides parties with a basis to argue that technical communications should not be protected by the attorney-client privilege, and provides courts with a greater ability to separate and distinguish technical communications from non-technical communications. Conversely, when communications remain bound together, it is less likely that a court will be able to distinguish technical from non-technical communications. In fact, in *Spalding*, the Federal Circuit specifically stated that it "do[es] not consider that it is necessary to dissect the document to separately evaluate each of its components."[87] In essence, offshoring has the potential to do for the court what it said it would not do itself: dissect communications. By doing so, offshoring may change the overall tenor of some communications from legal to technical, and result in less protection for communications relating to the preparation and prosecution of patent applications.

B. Courts May Find the Attorney-Client Privilege Does Not Protect Communications with Foreign Workers Engaged in Offshoring

Offshoring may lead courts to find that the attorney-client privilege fails to protect communications with foreign workers. If a court considers whether to protect communications with foreign workers engaged in offshoring using a choice of law analysis, the court would likely find that U.S. law governs because the patent applications are to be filed in the United States. Under U.S. law, courts have found that the attorney-client privilege protects communications with a foreign worker when the foreign worker acts under the supervision of a U.S. patent attorney or when the foreign worker functions as a legal practitioner.[88] When courts have analyzed whether the attorney-client privilege protects

86. In fact, this is a typical model. *See* Aggarwal, *supra* note 3, at 38. Additionally, the more complex work an attorney asks a foreign worker to do, the more oversight and quality assurance is needed, reducing the cost-savings.

87. *In re* Spalding Sports Worldwide, Inc., 203 F.3d 800, 806 (Fed. Cir. 2000).

88. *See supra* notes 84–85 and accompanying text.

communications with foreign patent professionals, the foreign workers were assisting in the preparation and prosecution of patent applications *to be filed in the foreign country*.[89] In the offshoring context, however, the foreign workers are assisting in the preparation and prosecution of patent applications *to be filed in the United States*.

With this difference in mind, it is possible that courts will find that foreign workers are not functioning as legal practitioners, unless they are registered to practice before the Patent Office. Therefore, if the attorney-client privilege is to protect communications with a foreign worker in the offshoring context, the protection may have to extend from the foreign worker acting under the supervision of a U.S. patent attorney. Whether a foreign worker in India is considered to be working under the supervision of a U.S. patent attorney is certainly questionable. That determination would depend on the frequency and depth of the communication between the U.S. attorney and the foreign worker and the standard in the jurisdiction regarding the necessary amount of supervision. Accordingly, courts may find the attorney-client privilege fails to protect communications with foreign workers engaged in offshoring.

V. CONCLUSION

Courts have shifted their views regarding the extent that the attorney-client privilege protects communications between a patent attorney and client relating to the preparation and prosecution of patent applications. It is possible that the recent trend of outsourcing patent-related legal services to India may provide parties with an impetus to once again call into question whether certain communications should be protected by the attorney-client privilege. Courts may find that the information communicated to foreign workers is largely technical information and not protect such communications. Moreover, courts may find the attorney-client privilege does not extend to communications with foreign workers engaged in offshoring. Overall, offshoring patent-related legal services may provide significant cost-saving advantages, but if the offshored patents are later involved in litigation, it may lead to adverse consequences concerning the applicability of the attorney-client privilege to some communications.

89. *See* Willi, *supra* note 79, at 315.