Client Alert: Ethical Considerations in Outsourcing Patent-Related Tasks

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Intellectual property (IP) attorneys (both in-house and outside counsel) are increasingly turning to outsourcing and offshoring to complete many patent-related tasks, such as prior art searches, patent drafting, formalizing patent drawings, and general patent prosecution. The lower fees charged by some outside service providers makes this an attractive option to help meet ever-decreasing patent budgets.

A prior related alert ("Be Aware (and Beware) of Patent Outsourcing") addressed the risk of potentially violating U.S. export control laws when offshoring patent-related tasks to foreign service providers. IP attorneys should also keep in mind their ethical obligations when outsourcing legal and non-legal patent-related tasks. There is nothing inherently unethical about outsourcing patent-related tasks, but "the lawyer remains ultimately responsible for rendering competent legal services to the client."[1] Indeed, one cannot outsource the duty of competence nor one's other ethical obligations.

Client Consent

Unless dealing with published or publicly available information, outsourcing patent-related tasks will likely involve the transfer of confidential client information. This is particularly applicable when commissioning a prior art search, commissioning the drafting of a patent application, or having patent drawings formalized. When outsourcing these tasks, patent practitioners are prohibited from revealing "information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation, or the disclosure is [otherwise permitted under the rules]."[2]

The "implied authorization" to reveal client confidences in performing legal services "does not extend to outside entities or to individuals over whom the firm lacks effective supervision and control."[3] Consequently, it is advisable to obtain or attempt to obtain a signed consent informing the client of the outsourcing relationship. A client's consent to outsourcing is considered "informed" if the client receives "adequate

information" about the risks of outsourcing and "reasonably available alternatives."[4]

Client Confidentiality

Lawyers must also "make reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client."[5] Adhering to this duty is difficult enough in a localized setting, but exponentially more difficult when dealing with an overseas entity that may or may not have a reliable information technology network or may not adequately train employees about client confidentiality in public settings.

Since there is a real risk of outside service providers revealing client confidential information, "[w]ritten confidentiality agreements are … strongly advisable in outsourcing relationships."[6] Moreover, in fulfilling the duty to "minimize the risk of potentially wrongful disclosure," IP attorneys outsourcing patent-related tasks should also "verify that the outside service provider does not also do work for adversaries of their clients on the same or substantially related matters."[7] It is not improbable, for instance, that a patent search firm might conduct a prior art search for your client in one week, and then conduct a related prior art search for a client competitor the following week.

Supervisory Liability for Unauthorized Practice of Law

Under the USPTO Professional Rules of Conduct, a practitioner who is a partner or possesses comparable managerial authority (either individually or together with other practitioners) has a responsibility to "make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that [a non-practitioner's] conduct is compatible with the professional obligations of the practitioner."[8] Outsourced non-attorneys are considered "non-practitioners" and effectively engage in "practice before the Office" when "preparing and prosecuting any patent application."[9]

Practitioners who are partners or possess comparable managerial authority are charged with liability of a non-practitioner's actions if they "know[ ] of the [unethical] conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action."[10] Transparency and communication are vital for an IP attorney outsourcing patent-related tasks. Appropriate supervision and control may be required to mitigate the risk of aiding and abetting the unauthorized practice of law.

PRACTICE NOTE

While outsourcing and offshoring patent-related tasks is becoming more commonplace, IP attorneys should keep in mind their ethical obligations when disclosing potentially confidential client information to outside service providers and when dealing with third-party non-practitioners.

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[1] ABA Standing Committee on Ethics and Professional Responsibility, Formal Opinion 08-451.

[2] ABA Model Rule 1.6(a); *see also* USPTO Rule 37 C.F.R. § 11.106(a).

[3] ABA Standing Committee on Ethics and Professional Responsibility, Formal Opinion 08-451.

[4] 37 C.F.R. § 11.1.

[5] ABA Model Rule 1.6(c).

[6] ABA Standing Committee on Ethics and Professional Responsibility, Formal Opinion 08-451.

[7] *Id.*

[8] 37 C.F.R. § 11.503(a).

[9] 37 C.F.R. § 11.5(b).

[10] 37 C.F.R. § 11.503(c)(2).