PTO Lobs National Security Salvo at Outsourcing the Preparation of US Patent Applications

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In a notice published July 23, 2008 in the Federal Register, the U.S. Patent and Trademark Office (PTO) fired a warning shot towards those who are considering outsourcing to a foreign country the preparation of a U.S. patent application: such a practice may be restricted by Export Administration Regulations.

In the interest of national security, the Export Administration Regulations (EAR), 15 C.F.R. §§ 730-774, regulate the export (among other things) of technical information. Enforcement of these regulations is handled by the US Bureau of Industry and Security (BIS) in the Department of Commerce. These regulations apply, among other things, to "dual use" technology, that is, technology which may have both military and civilian uses.

To proceed in accordance with the rules, one must follow the procedures laid out in 15 CFR §732 by, among other things, considering the type of technology, the country of ultimate destination for export, who will receive it, the use to which the information will be put, determining whether the export is controlled, determining how it is classified, whether it is subject to a general prohibition, whether there is a license exception, and finally, if called for, applying for a license.

Although the PTO notice does not mention it, outsourcing of patent applications related to military technology may require a State Department license under the International Traffic in Arms Regulations (ITAR).

The PTO's warning is not simply a shot in the dark. For decades, the PTO has been administering the Invention Secrecy Act (35 U.S.C. §§ 181-188), which permits the Atomic Energy Commission and the Secretary of Defense to keep a patent application secret if required in the interest of national security.

Under this law, a counterpart patent application cannot be filed outside the United States within six months after filing of a United States application unless a foreign filing license has been granted. Although unintentional violations of this provision can often be cured after the fact, a violation of the foreign filing license requirement can lead to invalidation of the United States patent.

The PTO notice takes pains to point out that the foreign filing licenses it issues have nothing to do with outsourcing of preparation of US patent applications. For that activity, it is back to the EAR, and the BIS. While outsourcing patent portfolio development – like medical tourism (which involves outsourcing our medical care) – promises savings, if not quality, even the savings can be illusory.

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