

Patent Application Foreign Filing Licenses

Export Control for Sensitive Technologies Described in Patent Applications

By Karen Canaan

To protect national security, some countries require patent applicants to obtain a foreign filing license prior to filing a patent application abroad. The grant of a foreign filing license provides a governmental stamp of approval that the technology described in the patent application is available for export. Patent applications that are denied a foreign filing license are typically directed to sensitive technologies that defense agencies of a government have deemed important for military purposes and/or potentially detrimental to the safety of the country if exported; examples of such technologies are explosives and biological warfare agents. Some jurisdictions impose harsh penalties, such as jail time, for failure to obtain a foreign filing license prior to the exportation of sensitive information.

See Table 1, on page 2, for a listing of countries with foreign filing license requirements.

TECHNOLOGIES SUBJECT TO U.S. SECRECY ORDERS

Section 5.15 of Title 37 of the Code of Federal Regulations (37

C.F.R. §5.15) explains that the following technologies must be made available for inspection by appropriate defense agencies (*see also*, 35 U.S.C. §181):

(i) defense services or articles designated in the United States Munitions List applicable at the time of foreign filing, the unlicensed exportation of which is prohibited pursuant to the Arms Export Control Act, as amended, and 22 C.F.R. §121-130; and

(ii) restricted data, sensitive nuclear technology, or technology useful in the production or utilization of special nuclear material or atomic energy, dissemination of which is subject to restrictions of the Atomic Energy Act of 1954, as amended, and the Nuclear Non-Proliferation Act of 1978, as implemented by the regulations for Unclassified Activities in Foreign Atomic Energy Programs, 10 C.F.R. §810, in effect at the time of foreign filing.

U.S. FOREIGN FILING LICENSE CASE STUDIES

1) Filing a First Patent Application for a U.S. Invention in a Foreign Country.

A U.S. inventor decides to pursue patent protection in Europe, but not in the United States. She prepares the U.S. patent application and for-

wards it to local counsel in the UK for filing directly with the European Patent Office.

Does the foregoing scenario run afoul of the U.S. foreign filing requirement?

Yes. An invention created in the United States cannot be first-filed in a patent application in a foreign country without a foreign filing license. Prior to filing in Europe, the inventor should petition the USPTO for a foreign filing license.

2) Filing a PCT Application for a U.S. Invention in a Foreign Receiving Office.

A U.S. inventor decides to pursue patent protection in the United States, Europe, China, and Japan via the Patent Cooperation Treaty ("PCT"). He prepares the PCT application and during a business trip to Switzerland, files the application directly with the International Bureau of the World Intellectual Property Organization ("WIPO") in Geneva.

Does the foregoing scenario run afoul of the U.S. foreign filing requirement?

Yes. Even though the PCT is an international treaty of which the United States is a signatory, without a foreign filing license, a U.S. inventor or a U.S. applicant company can only file a PCT application with the USPTO as the PCT Receiving Office

Karen Canaan is a partner in the Intellectual Property practice group in Sheppard Mullin's Silicon Valley office.

of WIPO. Patent applications describing U.S. inventions that are filed directly with the International Bureau of WIPO or with a foreign PCT Receiving Office require a U.S. foreign filing license.

3) Outsourcing U.S. Patent Work to Foreign Technology Centers.

In an effort to reduce costs for patent preparation and prosecution, a U.S. company outsources patent preparation to a technology center in India. The company forwards invention disclosure forms prepared by the company's engineers to the Indian technology center where patent agents prepare applications for filing in the United States.

Does the foregoing scenario run afoul of the U.S. foreign filing license requirement?

No. A U.S. foreign filing license only covers technology described in a patent application or information that is otherwise necessary for the preparation of a patent application that is to be firstfiled abroad. A U.S. foreign filing license does not cover the transmission of information to other countries for the preparation of a U.S. patent application.

4) Review of U.S. Invention Disclosures By Foreign Parent Companies.

A U.S. subsidiary of a German company sends all invention disclosures to its parent company in Germany for review by the company's patent committee. Once authorized, the invention disclosures are sent back to the subsidiary for patent preparation.

Does the foregoing scenario run afoul of the U.S. foreign filing license requirement?

No. A U.S. foreign filing license does not cover the transfer of technology that occurs between employees of a company located in the United States and employees of an affiliated company overseas, even when the technology is intended to be the subject matter of a U.S. patent application.

Table 1

Countries With Foreign Filing License Requirements:

Country	Statute	Requirements & Penalties for Violation
The United States of America	Chapter 17 of Title 35 of the United States Code (35 U.S.C. §§ 181 to 188)	A U.S. patent application describing a domestic invention must be filed six months before the foreign filing or a foreign filing license from the USPTO is required. If the invention is subject to a Secrecy Order issued by the Commissioner of Patents, then the application cannot be foreign filed within the six month period; foreign filing can only occur after the lifting of the Secrecy Order and the issuance of a foreign filing license. Violation results in a U.S. patent application not issuing or if issued, a U.S. patent that is deemed invalid. Willful violation is subject to fines of up to USD\$10,000.00, imprisonment of up to two years, or both (35 U.S.C. § 186). Where an unlicensed foreign application was filed without deceptive intent and the subject matter does not compromise national security, the USPTO will grant a retroactive foreign filing license (35 U.S.C. §§ 184-185).
The United Kingdom	Section 23 of the Patents Act of 1977	A U.K. patent application must be filed six weeks before the foreign filing or a foreign filing license from the U.K. Patent Office is required. The foreign filing license requirement only applies to residents of the U.K. (not citizens) who are filing a foreign patent application relating to military technology, technology that may compromise national security, or technology that may prejudice the safety of the public if disclosed. Violation is subject to fine and imprisonment of up to two years.
France	Articles L. 614-18 & 61420 of the French Patent Law	A French or European patent application must be filed prior to foreign filing or a foreign filing license from the French National Institute of Industrial Property is required. Violation is subject to penal sanctions, including imprisonment.
Germany	Section 52 of the German Patent Act	A German patent application can only be filed abroad with a foreign filing license from the Federal Ministry of Defense. Once the foreign filing license is obtained, original national filing is not required. Violation is subject to fine or imprisonment of up to five years.
People's Republic of China	Article 20 of the Chinese Patent Law	A Chinese patent application describing a domestic invention, including those invented by foreign-funded enterprises, must be filed in China before the foreign filing. Violation is subject to criminal penalties, but only if the subject matter relates to national security.
South Korea	Article 41 of the Korean Patent Act, No. 950	A South Korean patent application describing a defense-related invention requires a foreign filing license from the Korean Intellectual Property Office. Violation is subject to a loss of right for the Korean patent.
New Zealand	Section 25(5) of the New Zealand Patent Act	A New Zealand patent application must be filed six weeks before the foreign filing or a foreign filing license from the New Zealand Intellectual Property Office is required. Violation is subject to a fine of up to NZ\$1000.00 or imprisonment of up to two years.
Canada	Only applicable to Canadian Government Employees	Employees of the Canadian Government cannot file a patent application without obtaining permission to do so from the Minister of their Department.

5) *Simultaneous Filing of U.S. and Foreign Patent Applications for a U.S. Invention.*

A U.S. company with an invention originating in the United States wishes to file national and international patent applications as quickly as possible. In order to expedite the international filings, the company foregoes the PCT and files the international patent applications directly with the foreign patent offices. The company files its U.S. patent application on Jan. 5, and 25 foreign patent applications five days later on Jan. 10.

Does the foregoing scenario run afoul of the U.S. foreign filing license requirement?

It depends. If the company had obtained a foreign filing license from the USPTO prior to Jan. 10, then the company is free to file the foreign patent applications; however, if the company had not petitioned the USPTO for a foreign filing license prior to Jan. 5, then the company must wait six months, or at least until July 5, to file the foreign patent applications.

6) *Filing a Foreign Patent Application with a U.S. Inventor By a Foreign Company.*

A British company with a U.S. division files a first patent application at the European Patent Office. One of the inventors on the application is a U.S. citizen.

Does the foregoing scenario run afoul of the U.S. foreign filing license requirement?

It depends. If the invention was made in the UK, then the filing does not run afoul of the U.S. foreign filing requirement; however, if the invention was made in the United States, then the filing does run afoul of the U.S. foreign filing requirement. To rectify the violation, the company must petition the USPTO for a retroactive foreign filing license. The USPTO will grant the foreign filing license provided that the failure to procure the license was through error, without deceptive intent, and the patent application does not disclose prohibited subject matter. If the patent application does disclose prohibited subject matter, then the USPTO has the discretion to abandon the patent application (35 U.S.C. §182).

7) *Security Review of Applications, Secrecy Orders, Applications Under Seal, Compensation for Damages Due to Secrecy Orders, and Foreign Filing upon Lifting of a Secrecy Order.*

A privately owned and funded U.S. munitions company files a U.S. patent application directed to an explosive. The Office of Initial Patent Examination at the USPTO flags the application as requiring security review.

If the U.S. government has a property interest in the subject matter of the application (*i.e.*, the invention is wholly or fully funded by a governmental agency), the application is forwarded to the Chief Officer of the interested agency to determine

if public disclosure of the subject matter of the application would be detrimental to national security. If the agency determines that disclosure of the subject matter would pose a risk to national security, then the agency will recommend to the Commissioner of Patents to place the application under a Secrecy Order.

If the U.S. Government does not have a property interest in the subject matter of the application, it is forwarded to the Atomic Energy Commission, the Secretary of Defense, and the Chief Officer of any other agency designated by the President as a defense agency of the United States, to determine if public disclosure of the subject matter of the application would be detrimental to national security. A consensus among agencies is not required; a determination of detriment to national security by any one agency is sufficient to place the application under a Secrecy Order.

A patent application that is placed under a Secrecy Order may continue to be examined; however, as long as the application remains under the Secrecy Order, it will not be published or granted a foreign filing license. If a patent application under a Secrecy Order is allowed, the applicant must contact the USPTO and/or petition the Commissioner of Patents with a request to have the Secrecy Order lifted so that the patent application may issue.

Table 2

Countries Without Foreign Filing License Requirements:

Mexico	Indonesia
Japan	Australia
Taiwan	

In the instant case, because the U.S. Government does not have a property interest in the subject matter of the application, the patent application is forwarded to the Chief Officer of the Atomic Energy Commission, the Secretary of Defense, and the Chief Officer of the Army for review. Upon a finding by the Atomic Energy Commission that disclosure of the subject matter of the patent application would be detrimental to U.S. national security, a recommendation to place the application under a Secrecy Order is prepared for the Commissioner of Patents. Finding that the Atomic Energy Commission's showing is sufficient, pursuant to 35 U.S.C. §181, the Commissioner of Patents mails a Notice to the applicants informing them that the application has been placed under a Secrecy Order and will be withheld from publication or grant for such period as the national interest requires.

Because 35 U.S.C. §181 specifies that applications are not to be kept under a Secrecy Order for more than one year, each year any patent application under a Secrecy Order is reviewed by the Chief Officer of the recommending agency for a determination if the Secrecy Order should be lifted or renewed. At any time between review periods, the Commissioner of Patents may rescind the Secrecy Order upon notification by the Chief Officer of the recommending agency that the disclosure of the invention is no longer detrimental to the national security.

The owner of a patent application placed under a Secrecy Order has the right to appeal to the Secretary of Commerce at any time.

The lifting of Secrecy Orders is subject to two caveats. Secrecy Orders in effect or issued when the United States is at war will remain in

effect for the duration of hostilities and for one year following the cessation of hostilities. Secrecy Orders in effect or issued during a national emergency shall remain in effect for the duration of the national emergency and for six months thereafter.

Once a Secrecy Order has been lifted, the foreign filing license for the patent application will issue automatically.

In the rare event that a patent application is placed under a Secrecy Order for an extended period of time, the applicants can apply to the Chief Officer of the recommending agency for monetary damages caused to the application by the Secrecy Order and/or monetary compensation for the government's use of the invention (35 U.S.C. §183). The patent applicants' right to apply for damages and/or compensation begins on the date that the USPTO issues the Notice of Allowance and ends six years after the patent's issue date. Among the damages that may be sought are damages relating to the applicants' loss of foreign patent rights resulting from the Secrecy Order. Applicants may seek compensation for use beginning on the date of the government's first use of the invention.

In the instant case, the following facts apply:

1) The patent application was filed on Oct. 15, 1999, and the Secrecy Order was issued on Jan. 15, 2000;

2) The U.S. government started using the technology described in the patent application on Jan. 20, 2002;

3) The patent application underwent examination under the Secrecy Order, and the claims were found to be in condition for allowance on Jan. 25, 2005.

4) The Secrecy Order for the

patent application was lifted six years after its issuance on Jan. 15, 2006, and the foreign filing license issued that same day;

5) The Notice of Allowance was mailed from the USPTO on Jan. 25, 2006; and

6) The patent issued on April 1, 2006.

Based on the foregoing facts, the munitions company can apply to the Chief Officer of the Atomic Energy Commission as late as April 1, 2012, for damages caused by the issuance of the Secrecy Order and for compensation from the government for first use of the invention. By the time the foreign filing license issued on Jan. 15, 2006, the patent application's 12 month Paris Convention date (Oct. 15, 2000) had long passed; thus, any foreign or PCT applications directed to the invention could not claim priority to the Oct. 15, 1999 filing date of the U.S. patent application. From a prior art perspective, if any of the intervening prior art between the Oct. 15, 1999 filing date of the patent application and the Jan. 15, 2006 foreign filing license issue date was invalidating prior art that would preclude the foreign filing of the U.S. patent application, then the company's loss of foreign patent protection for the invention could be a factor in the amount of compensation that the company could seek from the government.

