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When IP Falls Under The Export Control Regime

Law360, New York (February 24, 2014, 1:36 PM ET) -- Patent professionals should be familiar with the U.S. Patent and Trademark Office's process for granting foreign filing licenses to patent applications. However, those foreign filing licenses are limited in scope to activities related to obtaining foreign patent protection. Full, unrestricted dissemination of material in and related to a patent application may also be subject to another body of export control regulations: the International Traffic in Arms Regulations (ITAR, 22 CFR Parts 120-130) and the Export Administration Regulations (EAR, 15 CFR Parts 730-774). Export license requirements (beyond the USPTO-issued foreign filing license) need to be considered.

ITAR, EAR and Foreign Filing Licenses — Separate Yet Overlapping

ITAR regulations are administered by the U.S. Department of State's Directorate of Defense Trade Controls and cover defense articles, technical data and defense services on the United States Munitions List (USML, 22 CFR Part 121). Examples include:

1. Information, other than software as defined in §120.10(a)(4), which is required for the design, development, production, manufacture, assembly, operation, repair, testing, maintenance or modification of defense articles;
2. Classified information relating to defense articles and defense services;
3. Information covered by an invention secrecy order;
4. Software as defined in §121.8(f) of this subchapter directly related to defense articles.

Note, however, that information in the public domain (see §120.11) is not included in the above definitions.

EAR regulations are administered by the U.S. Department of Commerce's Bureau of Industry and Security and relate to all items that are not subject to the ITAR. These are referred to as "dual use" and are those that have both commercial and military applications. These items are contained in the Commerce Control List (CCL, 15 CFR Part 774).

The EAR covers information or technology that is necessary for the development, production or use of a commodity subject to the EAR. To be considered "use technology," the technology must contain all of the six attributes of the definition, which are: operation, installation, maintenance, repair, overhaul and refurbishing of a commodity subject to the EAR.

To be in compliance with ITAR/EAR, any required licenses or approvals must be in place prior to exporting anything that is export controlled. For purposes related to intellectual property and the development of intellectual property, the most significant export controls are (1) no import or export without the appropriate government authorization (a requirement that applies even within the same company and regardless of geographic location) and (2) control of unauthorized access to intellectual property by foreign nationals (together, (1) and (2) are called "full controls" in this article).

Export controls apply to all exports and reexports, including "deemed" exports, which are disclosures, releases or discussions related to EAR or ITAR controlled technology/information/technical data inside the United States with foreign nationals. Thus, disclosure of export controlled technical data/information/technology to a foreign person with whom you are collaborating on a patentable invention may first require you or your employer to obtain an export license. This is because under the deemed export rules, any discussions with a foreign H-1-B visa holder is legally equivalent to your exporting the technology to the visa holder's country in which he holds nationality.

Technology, technical data and information in and related to your patent application can be ITAR or can be EAR or can be neither. ITAR technology and information is mutually exclusive of EAR technology and information. It is either ITAR or EAR — it cannot be both simultaneously. As for the information in patent applications, it may intersect either ITAR or EAR but there is also a whole world of patents and intellectual property that doesn't qualify as technology under those two systems. Figure 1 helps to visualize these relationships.

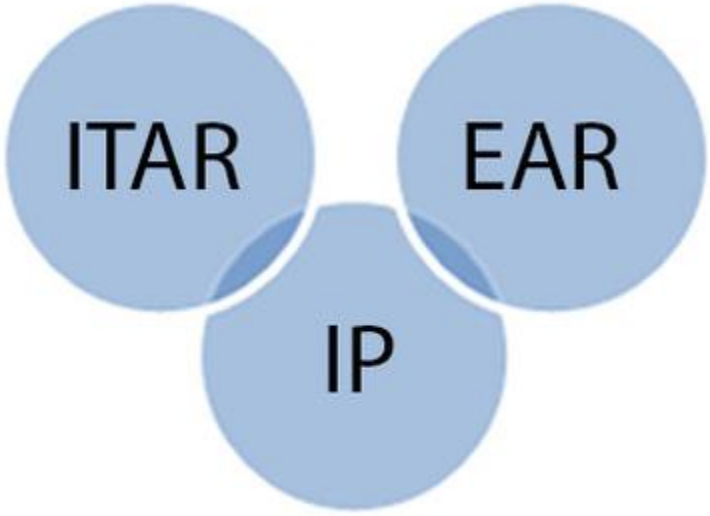

Figure 1 - Intersection of IP with ITAR and EAR

While most patent applications are not related to technologies/information subject to ITAR or EAR controls, all originally filed U.S. patent applications are subject to the USPTO's foreign filing license program. Under the foreign filing license program, patent applications are not authorized to be filed in a foreign country until six months from the filing of the application in the U.S., unless authorized by the commissioner of patents (35 USC §184).

Any authorization (or denial of such authorization) is communicated to patent applicants by appropriate notation on the official filing receipt. Part of the official filing receipt states "If required, Foreign Filing License Granted: [date]."
However, even when granted, a foreign filing license is a limited right. It grants a right to export technology and information that is otherwise controlled for purposes of patenting only. A foreign filing license is not an export license for purpose of ITAR/EAR. Thus, for those patent applications that occupy the space where IP and ITAR or IP and EAR intersect, any export beyond purposes of patenting must be pursuant to an export license and must be controlled in accordance with the appropriate ITAR or EAR regulations.

Intellectual Property Aspects

Broadly, intellectual property has two categories relevant to export controls. One category is unregistered intellectual property. This is something on which you may not be pursuing patent protection, such as a trade secret, but nevertheless is still intellectual property to your company and the efforts of your organization. A second category is registered intellectual property, which is more in the traditional registration processes like patenting, design works, copyrights even go through this process. In addition to status as unregistered or registered intellectual property, where in the life cycle of the intellectual property impacts the types of export controls that are in place.

Starting with unregistered intellectual property, this is intellectual property that you're going to keep proprietary for your use. However, a trade secret could also be ITAR-controlled or EAR-controlled. So, owners of unregistered intellectual property still have to evaluate that intellectual property to determine whether it does fall under an ITAR or EAR export control regime. If it does, then those controls persist throughout the lifetime that unregistered intellectual property is maintained. The more highly sophisticated and advanced the unregistered IP is, the more likely such unregistered IP will be export-controlled, requiring an export license under either ITAR or EAR.

Registered intellectual property has a more complicated overlap with the export control system than does unregistered intellectual property. For example, when intellectual property is created — whether within your organization or by collaboration with another organization — it becomes subject to ITAR or EAR export controls based on its content and, if applicable, full export controls are maintained up until a period when the intellectual property becomes publicly available.

Generally, the period of full export controls could be any amount of time it would take to continue that research or collaboration up until registration, i.e., filing the patent application. Once filed in the patent office, full controls would remain applicable during the period in which the patent application is under internal review associated with the grant of a foreign filing license. But, once a foreign filing license was granted, there would be a relaxation of full export controls in the form of a limited right to send technical information in the patent application outside the United States for the purposes of patenting and obtaining patent protection in a foreign patent office.

Next, under the normal progression of patent applications in the U.S., the application will automatically publish at the 18-month point (unless one opts out and don't foreign file the application). This results in the patent application being in the public domain, at which time any remaining ITAR or EAR export controls are removed. Note — that once the patent application for an item becomes publicly available, the contents of the patent application are no longer controlled. However, it does not mean that the physical item itself or related information beyond that in the patent application can be exported to a particular country or end user without an export license.

The following Figure 2 graphically illustrates how export controls of intellectual property are specific to the type of IP (unregistered vs. registered) and the stage in its lifecycle.

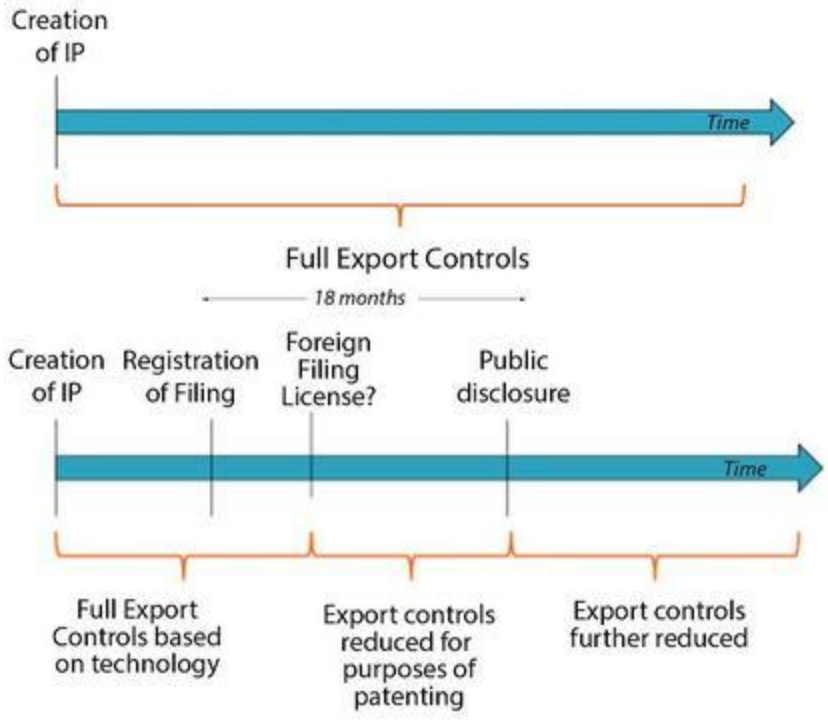

Figure 2 - Export controls for Registered and Unregistered IP

Export Controls Case Study: Collaborations

Collaborative inventing can pose a particular risk in relation to ITAR- and EAR-controlled activity. Consider as an example, an inventor working with a colleague in development of potentially patentable technology. During the period in which the invention is being developed, one inventor puts technical information related to the invention — for example, drawings or test results — in an envelope and mails it to an address in Paris, France. This action is an export.

Alternatively, if the same envelope is walked across the hall of your office and handed it to a visiting scientist from China legally in the U.S. on a work visa who's helping with the technology development, an export to China has occurred (even though the information was merely walked across the hall). This last scenario is an example of a deemed export. If the technical data is ITAR-controlled, this is a serious export control violation, because ITAR licenses cannot be granted for exports to China. See 22 CFR § 126.1(a), and you must disclose this violation to the DDTC under 22 CFR § 126.1(e).

So, it's important to understand that one can make an export in your building, in your office when interacting with someone who is a foreign person, as well as when information is physically transmitted to a foreign jurisdiction. This concept of export applies equally whether it is a physical exchange or simply sending an email or even allowing a foreign national or person in a non-U.S. jurisdiction to access and retrieve the information off a server, whether a third-party server or a company server.

Any of the above acts are still an export and regulated under ITAR or EAR even if the person receiving the information is a fellow employee at your university or at your company. It doesn't matter. If regulated technical data that relates to your intellectual property has been exported without an export license from the applicable agency, it is a serious problem.

Other Implications

Complying with export controls can implicate how and from where one obtains support services related to intellectual property.

Maybe your company obtains patent search services from a third-party company. To obtain the most relevant results, your company wants to disclose certain aspects of the technical data related to your invention. However, to ensure compliance with the export control regulations, you should be careful about what level of disclosure you make so you don't violate export controls. If a foreign filing license has been granted, for example through the filing of a provisional patent application, then one may have more freedom to utilize these types of patenting related services from companies that are extraterritorial or outside of the United States.

As another example, consider how intellectual property is controlled in your organization. Are electronic records utilized? Is the technical information that forms the basis for patent applications or the underlying research stored in a database? Are either of the electronic records or database accessible by different locations in your company and different personnel? If so, is access by personal or from remote locations sufficiently controlled as to prevent an unauthorized export (including deemed export) and to satisfy export controls?

The same questions can be implicated by some docketing software and other computer programs that patent professionals use to manage intellectual property as well as by internal procedures to review and identify potential patentable inventions, for example, by a patent review board.

The important thing to consider here is to ensure your organization has some type of export control compliance plan. A well-developed plan can assist you and your company with screening procedures to determine whether ITAR or EAR controls apply and, if export controls are required, providing appropriate physical controls — coding, labeling or storage and handling procedures — so that those types of documents and information are kept appropriately controlled (and to avoid overcontrol). And of final note, neither encryption nor confidentiality agreements satisfy export controls.

Conclusion

If information related to your patent application may be regulated by ITAR or the object of your patent may be regulated by EAR, export license requirements need to be considered. Additionally, a well-functioning export controls compliance plan and good handling practices not only avoid unintentional export violations, which is a strict liability offense, but also contribute to a positive data protection atmosphere in your organization with ancillary benefits to all your intellectual property, whether required to be export controlled under ITAR/EAR or not.

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