[3510-16]

DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

[Docket No.: PTO-P-2012-0012]

Notice of Request for Comments on the Feasibility of Placing Economically Significant Patents Under a Secrecy Order and the Need to Review Criteria Used in Determining Secrecy Orders Related to National Security

AGENCY: United States Patent and Trademark Office, Department of Commerce.

ACTION: Notice of Request for Comments.

SUMMARY: Pursuant to a request from Congress, the United States Patent and Trademark Office (USPTO) is seeking comments as to whether the United States should identify and bar from publication and issuance certain patent applications as detrimental to the nation's economic security. The USPTO is also seeking comments on the desirability of changes to the existing procedures for reviewing applications that might be detrimental to national security.

DATES: Those wishing to submit written comments should submit those comments for consideration by [Insert date 60 days from the date of publication in the Federal Register].

ADDRESSES: Written comments should be sent by electronic mail message via the Internet addressed to SecrecyOrder.Comments@USPTO.gov. Comments may also be submitted by mail addressed to: Mail Stop Congressional Relations, Attention: Jim Moore, P.O. Box 1450, Alexandra, VA 22313-1450. Although comments may be submitted by mail, the USPTO prefers to receive comments via the Internet.

After the comment period, the written comments will be available for public inspection at the Office of Policy and External Affairs in the Executive Library located in the Madison West Building, 10th Floor, 600 Dulany Street, Alexandria, Virginia, 22314. Contact: Mona Scott at mona.scott@uspto.gov or (571) 272-5777.

In addition, the comments from the public will also be available via the USPTO Internet website (address: http://www.uspto.gov).

Because comments will be made available for public inspection, information that is not desired to be made public, such as an address or phone number should not be included in the comments.

FOR FURTHER INFORMATION CONTACT: Jim Moore, Office of Policy and External Affairs, by phone (571) 272-7300; by e-mail at james.moore@uspto.gov; or by mail addressed to: Mail Stop OPEA, United States Patent and Trademark Office, P.O. Box 1450, Alexandria, Virginia 22313-1450, ATTN: James Moore.

SUPPLEMENTARY INFORMATION: Recently, Congress has asked whether the currently performed screening of patent applications for national security concerns should be extended to protect economically significant patents from discovery by foreign entities. The Commerce, Justice, Science, and Related Agencies Subcommittee's report on the 2012 Appropriations Bill stated:

> "By statute, patent applications are published no earlier than 18 months after the filing date, but it takes an average of about three years for a patent application to be processed. This period of time between publication and patent award provides worldwide access to the information included in those applications. In some circumstances, this information allows competitors to design around U.S. technologies and seize markets before the U.S. inventor is able to raise financing and secure a market." *H.R. Rpt. 112-169, at page 18 (July 20, 2011)*

The Subcommittee instructed the USPTO to proceed to study these issues, stating that the "PTO, in consultation with appropriate agencies, shall develop updated criteria to evaluate the national security applications of patentable technologies [and] to evaluate and update its procedures with respect to its review of applications for foreign filing licenses that could potentially impact economic security." *H.R. Rpt. 112-169, at page 19 (July 20, 2011)* In this context, the Subcommittee describes "economic security" as

ensuring that the United States receives the first benefits of innovations conceived within this country, so as to promote domestic development, future innovation and continued economic expansion.

To carry out this study, the USPTO is seeking comments from the innovation community on the question of whether an economic security screening procedure, which borrows from the current national security screening procedure, should be considered. The USPTO is also seeking comments on whether the criteria used in the national security screening procedure adequately perform the desired function.

1. Background

A. Secrecy Orders

Currently, all patent applications are screened, pursuant to 35 U.S.C. 181, to determine whether the publication or disclosure of the application might be detrimental to national security. Such applications are routed to the Department of Defense and other agencies designated by the President as a "defense agency of the United States" for review prior to publication. The defense agency then makes a substantive determination as to whether the application in question should be placed under a secrecy order for such period as the national interest requires. These agencies also provide the USPTO with criteria used to determine what applications should be screened as well. The owner of an application which has been placed under a secrecy order has a statutory right to appeal from the order to the Secretary of Commerce.

The criteria used to determine whether an application should be placed under a secrecy order for national security reasons have been set by numerous statutes, each controlling the disclosure of a certain type of subject matter. For example, all atomic energy information is classified pursuant to the Atomic Energy Act of 1954 unless a positive action is taken to declassify it. The regulations implementing the Atomic Energy Act are promulgated by the Department of Energy, and are set forth at 10 CFR Part 810. Other applicable statutes governing the movement of material or information to a destination outside the legal jurisdiction of the United States include the Arms Export Control Act of 1968 (22 U.S.C. 2751 et seq.), the Export Administration Act of 1979 (50 U.S.C. App. 2401-2420) (in force pursuant to the Presidential Notice of August 12, 2011, titled "Continuation of Emergency Regarding Export Control Regulations," 76 Fed. Reg. 50661), and the Defense Authorization Act of 1984 (10 U.S.C. 130).

B. Effects of Secrecy Orders on Foreign Patent Protection and Exports.

A secrecy order severely restricts the applicant's ability to obtain patent coverage outside of the United States. A secrecy order prevents U.S. publication and patent issuance, pursuant to 35 U.S.C. 181 and 35 U.S.C. 122(b)(2)(A)(ii). A secrecy order also prevents any foreign or international filing of the application, with very limited exceptions as set forth in 37 CFR 5.5. An applicant having a patent application under a secrecy order in the United States who violates that order through publication, disclosure, or filing of a foreign patent application shall be subject to abandonment of the United States patent application, pursuant to 35 U.S.C. 182.

Under 35 U.S.C. 184, foreign filings are prohibited for applications under secrecy orders without the concurrence of the reviewing agency that requested the secrecy order. For United States applicants desiring to file a patent application in a foreign country and maintain priority of invention back to the United States filing date, a foreign application for patent must be filed within one year of the United States filing date, in accordance with Article 4 of the Paris Convention. If the secrecy order is lifted after that one-year period, the United States applicant may file a patent application in a foreign country; however, applicant will not be accorded the priority of the United States filing date.

Where a secrecy order is applied to an international application, the application will not be forwarded to the International Bureau as long as the secrecy order remains in effect (PCT Article 27(8) and 35 U.S.C. 368). If the secrecy order remains in effect, the international application will be declared withdrawn (abandoned) because the Record Copy of the international application was not received in time by the International Bureau (37 CFR 5.3(d), PCT Article 12(3), and PCT Rule 22.3). It is, however, possible to prevent abandonment within the United States if the international application designates the United States under the requirements of 35 U.S.C. 371(c); see MPEP 1832.

Additionally, a secrecy order based upon national security operates in tandem with United States export control as set forth by statute in the Export Administration Regulations, 15 U.S.C. 734.3(b)(1). The export of a product covered by one of the categories for which a patent application would be placed under a secrecy order is subject

to control by the defense agency that regulates such subject matter. If a new category of secrecy order subject matter is to be created (economic security) the question of whether export of that subject matter would be regulated by a United States agency would need to be addressed. In such a case, a domestic entity having a patent application placed under an economic secrecy order could be restricted from exporting any product covered by that application until the secrecy order is lifted by the USPTO operating in concert with the relevant United States agency.

C. Currently Available Procedures to assist Maintaining Secrecy Until Patent Issuance.

Many foreign jurisdictions publish full applications at eighteen months. Recent proposed legislation would instruct the United States Patent and Trademark Office to publish only an abstract of the application or otherwise amend 35 U.S.C. 122 (b)(2)(B)(i). In the United States two procedures are available to prevent a patent application from publication.

First, an applicant may request nonpublication of the application until such time as the application issues as a patent. Under 35 U.S.C. 122(b)(2)(B)(i), an applicant may request nonpublication upon filing of the patent application. An applicant making such a request must certify that the invention disclosed in the application has not and will not be the subject of an application filed in another country, or filed under a multilateral international agreement that requires publication of applications 18 months after filing.

The second procedure that can prevent a patent application from publication is a secrecy order under 35 U.S.C. 181 and 35 U.S.C. 122(b)(2)(A)(ii). A secrecy order is a Governmental directive, rather than a private elective, which prevents an applicant from obtaining patent protection and makes the application secret until the Government deems it advisable to the application to proceed to issuance. A secrecy order is effective to restrict publication, disclosure, or filing of a foreign patent application, for such period as the national interest requires. In contrast, a nonpublication request restricts publication of the patent application only up to the date of the issuance of a patent, and may be rescinded by the applicant at an earlier date.

An alternative to preventing publication of a patent application is to expedite its prosecution, which reduces the time between disclosure and patent issuance. Prioritized examination, as authorized by Section 11(h) of the Leahy-Smith America Invents Act, sets an aggregate time goal of 12 months for an application to reach final disposition, which may be a final rejection or an allowance of the claims. By submitting a request upon filing the patent application, accompanied by the proper fees, a patent applicant may potentially receive an issued patent prior to the 18-month publication date.

2. Scope of Requested Comments

The Subcommittee has raised the concern of a potential risk of loss of competitive advantage during the period of time between publication and patent grant. Taking into account the current procedures through which an applicant may elect to defer publication of a patent application until patent issuance or expedite its prosecution, this Notice seeks

to obtain feedback on whether the United States Government should institute a new regulatory scheme, modeled from that applied to national security concerns. This new procedure would institute a secrecy order that forbids applicants from disclosing subject matter deemed to be detrimental to national economic security for such period as the national interest requires.

Interested members of the public are invited to submit written comments on issues that they believe relevant to whether, and under what circumstances, the United States should extend the current framework for placing patent applications under an order of secrecy to establish an additional screening program based on economic factors. The USPTO has not taken a position, nor is it predisposed to any particular views, on the following questions.

Comments on one or more of the following would be helpful:

Questions on Economic Security-Based Secrecy Orders

1. Should the USPTO institute a plan to identify patent applications relating to critical technologies or technologies important to the United States economy to be placed under secrecy orders?
2. Which governmental body should be designated by the President to provide the USPTO with the final determination as to which applications should receive this treatment?

3. Which mechanisms should a governmental body use, at the time a patent application is filed, to determine that publication at 18-months of that particular application would be detrimental to national economic security?
4. What criteria should be used in determining that dissemination of a patent application would be detrimental to national economic security such that an application should be placed under a secrecy order?
5. Would regulations authorizing economic secrecy orders be covered by the current statutory authority provided to the USPTO, or would such orders require a new statutory framework?
6. What would be the effect of establishing a new regulatory scheme based on economic security on businesses, industries, and the economy?
7. How could Government agencies best perform such a determination while remaining in compliance with applicable laws and treaty obligations?
8. How would such a policy affect the public notice function that underlies the policy of publication, including the ability of United States inventors and innovators to timely access the newest technical information upon which to build and stay ahead?
9. What would be the impact on United States innovators, companies, and employers? How would such a secrecy order affect United States businesses that currently have substantial business operations or sales in foreign countries?
10. Are the procedures currently available before the USPTO, such as nonpublication requests and prioritized examination, sufficient to minimize risks to applicants and allay concerns with 18-month publication of their invention? If not, why?

11. What are the risks that an economic secrecy order regime would influence other nations to implement similar laws? Would the global implementation of an economic secrecy order regime benefit or hinder the progress of innovation in the United States?
12. How would such a secrecy order regime affect international efforts toward a more harmonized patent system?
13. Should the USPTO consider limiting what is published at 18 months?

This Notice also poses the following questions to determine the adequacy of the criteria used to place various technologies under secrecy orders for national security reasons.

Questions on National Security-Based Secrecy Orders

14. How should criteria currently used by United States defense agencies to screen patent applications for potential national security-based secrecy orders pursuant to 35 U.S.C. 181 properly encompass the scope of invention, which may have a bearing on ensuring the United States maintains its technical advantages in defense-related fields?
15. Are there examples where technologies that could relate to United States defense capabilities that were excluded from consideration for a secrecy order?
16. What is the competitive cost to expanding the scope of the criteria used to screen applications for security order consideration?

17. Among patent practitioners, is there a common practice of attempting to avoid consideration for a secrecy order by drafting the patent disclosure in such a way as to not raise national security implications of an invention?

Date: _April 16, 2012_

David J. Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

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