Client Alert: Be Aware (and Beware) of Patent Outsourcing

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In today's tumultuous global economy, in-house intellectual property (IP) attorneys and managers are tasked with effectively protecting company innovation while facing ever-dwindling budgets. This has forced companies to seek cost-saving measures and non-traditional operating approaches to remain profitable and competitive. Outside counsel and patent practitioners equally feel the pinch as clients demand lower rates to help meet reduced budgets.

Patent preparation constitutes a significant cost in protecting innovation. Unless there is a dedicated in-house drafting team, companies will outsource this work to law firms, which typically charge between $7,000 and $15,000 to prepare a patent application. To further reduce patent spend, some companies (and even some law firm patent practitioners) outsource and offshore patent drafting tasks to foreign entities, such as India-based patent drafting enterprises.[1] Such offshore entities may charge between $3,000 and $5,000 or less to prepare a patent application, thus realizing sizeable patent spend savings.

While offshoring patent drafting tasks has the potential to ease patent budget constraints, it does not come without risks. IP attorneys (both in-house and private), for example, need to be mindful of their ethical duties implicated by outsourcing legal matters and supervising offshore individuals. Notwithstanding these ethical obligations, it may also be technically illegal to export unpublished invention information to a foreign country for the purpose of preparing a U.S. patent application.

In 2008, the U.S. Patent and Trademark Office (USPTO) "reminded" registered patent practitioners that a USPTO foreign filing license only facilitates the export of subject matter abroad for filing foreign patent applications.[2] In contrast, "applicants who are considering ***exporting subject matter abroad for the preparation of patent applications to be filed in the United States*** should contact the Bureau of Industry and Security (BIS) at the Department of Commerce for the appropriate clearances. A foreign filing license from the USPTO ***does not*** authorize the exporting of subject matter abroad for the preparation of patent applications to be filed in the United States."[3]

The BIS follows the Export Administration Regulations (EAR), which govern the export of "technology, including technical data."[4] Consequently, technical data related to inventions made in the U.S. should not be exported for the purpose of U.S. patent preparation unless first complying with BIS and EAR procedures.[5]

To this author's knowledge, the BIS and EAR regulations have not been enforced against any company or IP practitioner for offshoring U.S. invention information for patent drafting. It begs the question, however, whether a patent might ever be challenged on the basis that BIS clearance had not been procured prior to offshoring the technical data for patent drafting.

Practice Note:

While outsourcing patent legal work can potentially save patent spend for both in-house and private IP attorneys, caution should be taken when contemplating offshoring U.S. patent application drafting. To be in compliance with U.S. law, applicants must first obtain proper BIS clearances before exporting technical data related to U.S. inventions overseas.

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[1] Companies commonly outsource various administrative or business tasks to external entities to reduce costs, such as billing services, payroll, copy services, conference call services, etc. Offshoring is a subset of outsourcing, where the company engages a foreign entity or enterprise to handle administrative or business tasks.

[2] *See* Federal Register Vol. 73, No. 142 dated July 23, 2008, available at https://www.uspto.gov/sites/default/files/web/offices/com/sol/notices/73fr42781.pdf.

[3] *Id.* (emphasis added) (citations omitted).

[4] *Id.*

[5] Such conditions likely extend to offshoring patent illustrations and patent searches that equally include technical data related to inventions made in the U.S.