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GATT SYMPOSIUM ISSUE

The Implications of GATT on U.S. Intellectual Property Laws

ARTICLES

Practicalities And Potential Pitfalls When Using Provisional Patent Applications
Charles E. Van Horn 259

Proving A Date Of Invention And Infringement After GATT/TRIPS
Thomas L. Irving & Stacy D. Lewis 309

An Empirical Study Of The Twenty-Year Patent Term
Mark A. Lemley 369

GATT/TRIPS: A Response From The United States Patent And Trademark Office
Lois E. Boland 425

How Will Existing License Agreements Be Affected By Extended Patent Terms Under GATT?
David S. Forman & Thomas W. Winland 449

Changes In Section 337 As A Result Of The GATT-Implementing Legislation
Ralph A. Mittelberger & Gary M. Hnath 465

Beyond The Amendments: Federal And ITC Case Law Developments That May Determine The Long-Term Future Of Section 337 Litigation
Bryan A. Schwartz 491

Treaties Bring Changes To U.S. Trademark Law And Practice
Louis T. Pirkey & William G. Barber 509

Copyright And The Uruguay Round Agreements: A New ERA Of Protection Or An Illusory Promise?
Doris E. Long 531

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PREFACE

We are pleased to publish a double issue of the *AIPLA Quarterly Journal* devoted exclusively to the General Agreement of Tariffs and Trade (GATT), including the Agreement on Trade-Related Aspects of Intellectual Property Law (TRIPS). As one of our distinguished authors has noted, the Secretariat of the GATT referred to the TRIPS agreement as "the most important multilateral agreement on intellectual property rights negotiated this century." In recognition of the global significance and dramatic effect these agreements will have on U.S. intellectual property law and practice, we have compiled several articles, authored by experts in their respective fields, which discuss specific aspects of these agreements and their implications for U.S. intellectual property law.

The issue begins with several articles which focus on the changes made in U.S. patent law as a result of these international agreements. Charles E. Van Horn describes the new U.S. provisional patent application system created as a result of these agreements and the benefits, risks, and strategies associated with provisional applications. Thomas L. Irving and Stacy D. Lewis analyze the impact of changes in the rules for proving an invention date and discuss the newly expanded definition of infringement. Mark A. Lemley, using statistical analyses, studies the effect of congressional legislation extending patent protection from seventeen to twenty years and concludes that the change, on average, provides more protection to holders of U.S. patents. Lois E. Boland, representing the Patent and Trademark Office ("PTO"), provides the PTO perspective on these issues specifically responding to the Van Horn, Irving and Lewis, and Lemley articles.

Continuing with the impact these international agreement have on U.S. patent law, David S. Forman and Thomas W. Winland consider the effects that the new twenty-year patent term will have on existing license agreements. Ralph A. Mittelberger and Gary M. Hnath explore the various changes made to Section 337 of the Tariff Act by recent GATT-implementing legislation, including issues regarding time limits, counterclaims, choice of fora, and availability

AIPLA QUARTERLY JOURNAL

CONTENTS

Volume 22, Numbers 3&4 Summer/Fall 1994

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ARTICLES

Patent Laws

Practicalities And Potential Pitfalls When Using Provisional Patent Applications
Charles E. Van Horn 259

Proving A Date Of Invention And Infringement After GATT/TRIPS
Thomas L. Irving & Stacy D. Lewis 309

An Empirical Study Of The Twenty-Year Patent Term
Mark A. Lemley 369

GATT/TRIPS: A Response From The United States Patent And Trademark Office
Lois E. Boland 425

How Will Existing License Agreements Be Affected By Extended Patent Terms Under GATT?
David S. Forman & Thomas W. Winland 449

Changes In Section 337 As A Result Of The GATT-Implementing Legislation
Ralph A. Mittelberger & Gary M. Hnath 465

Beyond The Amendments: Federal And ITC Case Law Developments That May Determine The Long-Term Future Of Section 337 Litigation
Bryan A. Schwartz 491

Trademark Laws

Treaties Bring Changes To U.S. Trademark Law And Practice
Louis T. Pirkey & William G. Barber 509

Copyright Laws

Copyright And The Uruguay Round Agreements: A New ERA Of Protection Or An Illusory Promise?
Doris E. Long 531

AIPLA QUARTERLY JOURNAL

VOLUME 22, NUMBERS 3&4 PAGE 259 SUMMER/FALL 1994

PRACTICALITIES AND POTENTIAL PITFALLS WHEN USING PROVISIONAL PATENT APPLICATIONS

*Charles E. Van Horn**

I. BACKGROUND 261
II. BENEFIT OF PROVISIONAL APPLICATION FILING DATE 263
A. *Claiming Benefit In The United States* 263
1. Timing 264
2. Inventorship 265
3. Fee Paid In Provisional Application 266
4. Reference To Provisional Application 267
5. Plurality Of Provisional Applications—U.S. Benefit 269
B. *Claiming Benefit Outside The United States* 270
1. Timing 270
2. Plurality Of Provisional Applications—Benefit Outside The United States 272
C. *Provisional Application Not Entitled To Benefit Of Any Prior Application* 273
D. *Rules 60 And 62 Practices Cannot Be Used With Provisional Application* 273
E. *Benefit Of Provisional Application Content* 274
1. Supporting A Claim In A Nonprovisional Application 275
2. Updating The Best Mode 276
3. Establishing A Date Of Invention 276
4. Prior Art Effect 277

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The Uruguay Round Agreements Act ("URAA"),[1] enacted on December 8, 1994, created a new opportunity for patent applicants. Although not required by the GATT/TRIPS agreement,[2] a domestic priority system has been created as a component of the twenty-year patent term implementation. The U.S. domestic priority system involves a new type of patent application, the provisional application. Effective June 8, 1995, applicants for a patent on a plant or utility invention[3] may file a provisional application under 35 U.S.C. § 111(b).

This Article will describe the requirements and procedures that are applicable to provisional applications, and particularly how those requirements and procedures differ from those applicable to other types of patent applications. In addition, some of the benefits, risks, and filing strategies associated with provisional applications will be described.

I. BACKGROUND

Under Article 33 of the GATT/TRIPS agreement, countries are required to make available a term of patent protection that "shall not end before the expiration of a period of twenty years measured from the filing date."[4] The term "filing date" is not defined in the agreement. Options available to the United States included the filing date of the application that matured into a patent, or where there was a chain of continuing applications,[5] the filing date of the first application for patent. However,

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[1] Pub. L. No. 103-465, § 532(c)(2), 108 Stat. 4809 (1994).

[2] The Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade In Counterfeit Goods, *opened for signature* Apr. 15, 1994, 33 I.L.M. 81 [hereinafter GATT/TRIPS].

[3] The right of priority to a provisional application under 35 U.S.C. § 119(e) is not applicable to designs. 35 U.S.C.A. § 172 (West Supp. 1995).

[4] GATT/TRIPS, *supra* note 2, art. 33.

[5] The term "continuing applications" as used here includes any application whose priority date is based in whole or in part on an earlier filed U.S. application. These applications are also known as continuations, continuations-in-part ("CIP"), and divisionals.

priority system "will provide applicants who take advantage of this section a period of up to twelve months in which to file the formal application but claim priority based on the provisional application filed in the United States, which period will not be included in the calculation of patent term."[8] Claiming the benefit of the filing date of a provisional application is provided for under 35 U.S.C. § 119(e). Claims for the benefit of a provisional application filing date will not affect a determination of the expiration date of the twenty-year patent term because 35 U.S.C. § 154(a)(3) precludes consideration of claims for priority under 35 U.S.C. §§ 119, 365(a) and 365(b).

II. BENEFIT OF PROVISIONAL APPLICATION FILING DATE

The benefit of the filing date of a provisional application may be claimed in an application filed in the United States or a foreign country. Inventors must use great care in observing the deadlines for filing a nonprovisional application in the United States and for filing for patent protection in countries other than the United States to preserve the benefit of a provisional application filing date.

There are both procedural and substantive aspects of obtaining the benefit of a provisional application. The procedural aspects involve the requirements for claiming the benefit of a provisional application in another application, either in the United States or another country. The substantive aspects involve the technical content or disclosure requirements for a provisional application. The procedural aspects will be examined first.

A. *Claiming Benefit In The United States*

Under section 119(e), the benefit of a provisional application may be claimed in a nonprovisional application provided certain conditions are met. The benefit of a provisional application cannot be claimed in a design

[8] Pub. L. No. 103-465, § 532(b)(1), 108 Stat. 4809, 4985 (1994). The SAA is referenced in § 102(d) of the URAA as "an authoritative expression by the United States concerning the interpretation and application of the Uruguay Round Agreements and this Act in any judicial proceeding in which a question arises concerning such interpretation or application." 19 U.S.C. § 3512 (1994).

month period falls on a Saturday, Sunday, or Federal holiday within the District of Columbia?

Arguably, the provisions of 35 U.S.C. § 21(b) provide a complete answer—a nonprovisional application filed on the next succeeding business or secular day is timely and preserves the opportunity to claim the benefit of the provisional application filing date. However, the PTO has taken the view that since a provisional application cannot be regarded as pending for more than twelve months,[14] it is not pending on the next succeeding business or secular day.[15] Unless there is legislative relief from this potential uncertainty,[16] applicants who file a provisional application will be well advised to docket the filing of the nonprovisional application in advance of the last day, particularly if it falls on a Saturday, Sunday, or Federal holiday within the District of Columbia.

2. Inventorship

In order to be entitled to claim the benefit of the provisional application filing date, the nonprovisional application must be filed by an inventor or inventors named in the provisional application. The inventive entity in the nonprovisional application need not be identical to the inventive entity in the provisional application, but there must be at least one inventor in common.[17]

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[14] 35 U.S.C.A. § 111(b)(5) (West Supp. 1995).

[15] The PTO has taken this view in the commentary accompanying the final rules published in the Federal Register. Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,198. In addition, 37 C.F.R. § 1.78(a)(3) has been amended to remind applicants of the potential trap of relying on only the twelve month period as the deadline for filing a nonprovisional application. *Id.*

[16] For example, the Patent Application Publication Act of 1995 contains a provision in section 9 that would amend 35 U.S.C. § 119(e) by adding: "If the day that is twelve months after the filing date of a provisional application falls on a Saturday, Sunday, or Federal holiday within the District of Columbia, the period of pendency of the provisional application shall be extended to the next succeeding secular or business day." H.R. 1733, 104th Cong., 1st Sess. (1995).

[17] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,225 (to be codified at 37 C.F.R. § 1.78(a)(3)).

The processing and retention fee practice[22] for section 111(a) applications is not applicable to provisional applications. Accordingly, a filing fee must be paid in the provisional application to obtain the benefit of the provisional application filing date.

4. Reference To Provisional Application

In order to claim the benefit of a provisional application, the nonprovisional application must contain or be amended to contain a specific reference to the provisional application.[23] The reference to the provisional application must contain the application number,[24] including the series code and six digit serial number (for example, 60/123,456).

The reference to the provisional application, and thus the claim for benefit, need not be made at the time of filing the nonprovisional application, but may be added to the nonprovisional application at a later time.[25] As long as the error in not making the reference to the earlier provisional application occurred in good faith, it may be possible to add the reference even after the patent issues. The addition of references to priority

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[22] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,223 (to be codified at 37 C.F.R. § 1.53(d)(1)).

[23] 35 U.S.C.A. § 119(e)(1) (West Supp. 1995).

[24] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,225 (to be codified at 37 C.F.R. § 1.78(a)(4)).

[25] The PTO has indicated that an amendment adding or deleting a reference to an earlier filed application will be entered if presented prior to a final action. *Id.* at 20,213 (response to comment 73).

5. Plurality Of Provisional Applications—U.S. Benefit

It is possible to file a plurality of provisional applications over the course of a year and claim the benefit of all the provisional applications filed within twelve months of the filing date of the nonprovisional application. Unlike the situation for claiming benefit of a provisional application in a foreign country, claiming benefit of all provisional applications filed within twelve months of the first nonprovisional application results in the loss of benefit of any provisional application filed before that twelve month period, but not the benefit of provisional applications filed within that twelve-month period.

Loss of benefit of a provisional application could result in the loss of a right to a patent where there is an existing section 102(b) bar more than one year prior to the filing date of the earliest provisional application relied on. Consider an applicant who files a provisional application every three months starting on July 5, 1995. On July 3, 1996, the applicant has to make a decision as to whether to file a nonprovisional application claiming the benefit of earlier provisional applications (e.g., filed July 5, 1995, October 5, 1995, January 5, 1996, and April 5, 1996), particularly the one filed July 5, 1995, or whether to lose the right to claim the benefit of the provisional application filed July 5, 1995.

If the applicant accepts the risk of losing the benefit of the provisional application filed July 5, 1995, he or she could postpone the filing of a nonprovisional U.S. application until October 4, 1996 (October 5, 1996 is a Saturday) and still claim the benefit of the provisional applications filed October 5, 1995, January 5, 1996, and April 5, 1996 in the United States.

In many cases, for inventions made in the United States, a North American Free Trade Agreement ("NAFTA") country,[31] or a World Trade Organization ("WTO") member country,[32] the loss of a provisional application filing date will not impair an inventor's ability to establish an earlier date of invention to overcome a cited patent or publication. However,

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[31] Invention dates in Canada and Mexico cannot be established prior to December 8, 1993.

[32] Invention dates in a WTO member country cannot be established prior to January 1, 1996.

the subsequent fate of the provisional application.[37] Thus, there is no requirement that the provisional application be pending when the foreign application is filed in order to obtain the benefit of the provisional application filing date. The only requirement essential to priority under the Paris Convention, other than filing within the twelve-month priority period, is that the application is adequate to obtain a filing date.[38]

In addition, the potential trap in the United States when the last day of the twelve- month period falls on a Saturday, Sunday, or federal holiday is avoided under the Paris Convention, which provides that the twelve-month period is extended under these circumstances until the following business day.[39] By waiting until the last day of the twelve-month period, it is possible for an applicant to lose the benefit of a provisional application in the United States, while at the same time preserving the benefit of the provisional application in a foreign country under the Paris Convention.

Consider, for example, a U.S. inventor and a German inventor that each file a provisional application in the United States on July 6, 1995. The German inventor also files an application in Germany on the same date. On July 8, 1996 (July 6, 1996 is a Saturday), each inventor files an application outside his/her own country and the U.S. inventor also files a nonprovisional application in the United States. The U.S. inventor and the German inventor may lose the benefit of the their provisional applications filed on July 6, 1995, because the provisional applications were not pending on July 8, 1996. But the U.S. inventor would be entitled to claim the benefit of her provisional application in her application in Germany, and the German inventor could claim the benefit of his German application in his U.S. application.

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[37] Paris Convention, *supra* note 6, art. 4(A)(3).

[38] Unlike an application filed under 35 U.S.C. § 111(a), a provisional application is not subject to the processing and retention fee provisions of 37 C.F.R. § 1.21(l). Accordingly, beyond the requirements for obtaining a filing date, it will be necessary to pay the fee for filing a provisional application to preserve the opportunity to obtain certified copies (for claiming priority in other countries, for example), and to prevent disposal of the provisional application. Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,202 (to be codified at 37 C.F.R. § 1.53(d)(2)).

[39] Paris Convention, *supra* note 6, art. 4(C)(3).

had been abandoned on or before October 4, 1995. In other words, the second provisional application can be regarded as the first application for purposes of starting the Paris Convention priority year only if there is no copendency between the first and second provisional applications.

C. *Provisional Application Not Entitled To Benefit Of Any Prior Application*

A provisional application cannot claim the benefit of any prior application.[41] This means that a provisional application cannot claim the benefit of a foreign priority application, either under 35 U.S.C. § 119(a) or 35 U.S.C. § 365(a), and cannot claim the benefit of another U.S. application, including a provisional application under 35 U.S.C. § 119(e), or a section 111(a) application under 35 U.S.C. §§ 120, 121, or an international application designating the United States under 35 U.S.C. § 365(c).

This feature of a provisional application may be critically important for an applicant that may use the ability to convert a nonprovisional application to a provisional application. Inventors should avoid using the conversion procedure in any application claiming the benefit of an earlier application to avoid forfeiting the right to rely on the filing date of an earlier application. As noted by the PTO, if a section 111(a) application is converted to a provisional application, the granting of the conversion will automatically extinguish any claim for priority that could have been made in the section 111(a) application.[42]

D. *Rules 60 and 62 Practices Cannot Be Used With Provisional Application*

The continuing application practices under 37 C.F.R. §§ 1.60 and 1.62, often used to file a continuing application based on an application already on file in the PTO, are not available to file a section 111(a) application based on a provisional application. There are several reasons for this prohibition.

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[41] 35 U.S.C.A. § 111(b)(7) (West Supp. 1995).

[42] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,211 (response to comment 55).

1. Supporting A Claim In A Nonprovisional Application

Claiming the benefit of a provisional application in a subsequently filed nonprovisional application has most of the attributes and advantages of claiming the benefit of an earlier filed application under section 120. To the extent that a claim in a nonprovisional application is supported in an earlier filed provisional application, the provisional application acts as a shield against intervening prior art. There are timing limits discussed above, but there are also advantages over continuation practice which many inventors will find useful.

Under section 119(e)(1), a nonprovisional application is entitled to the benefit of a provisional application to the extent that an invention claimed in the nonprovisional application is described in the provisional application in the manner prescribed in the first paragraph of 35 U.S.C. § 112. Like the requirements for obtaining foreign priority under section 119(a), or the benefit of a prior application under section 120, obtaining the benefit of a provisional application means that there must be a description of the invention claimed, the description must contain sufficient information to enable a person skilled in the relevant art to make and use the claimed invention, and must further describe any best mode that has been contemplated by the inventor at the time the provisional application is filed.

It is not sufficient for the purpose of obtaining benefit of the provisional application for a claim in the nonprovisional application that only a single embodiment falling within the scope of the claim is supported. Whether benefit has been sought under section 119[44] or under section 120,[45] it is clear that the benefit of the filing date of an earlier application depends on the existence of support in the prior application for the full scope of a claim. Benefit is not dependent on supporting each of the claims in the subsequent application, but is analyzed on a claim-by-claim basis.

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[44] *In re* Gosteli, 872 F.2d 1008, 1011, 10 U.S.P.Q.2d (BNA) 1614, 1616 (Fed. Cir. 1989).

[45] *In re* Scheiber, 587 F.2d 59, 62, 199 U.S.P.Q. (BNA) 782, 784 (C.C.P.A. 1978).

be sufficient, either alone or in combination with existing prior art, to establish a date of invention in an interference proceeding or to show a date of invention prior to the effective date of a reference under 37 C.F.R. § 1.131.

In an interference proceeding under 35 U.S.C. § 135 involving an application or patent that claimed the benefit of a provisional application, an inventor could rely on the filing date of a provisional application as a constructive reduction to practice of a broad interference count to the extent that a claim corresponding to the count was supported in the provisional application. Further, as the court held in *Hunt v. Treppschuh*,[48] where a parent application is relied on as a prior constructive reduction to practice, the requirements of the first paragraph of section 112 need only be met for an embodiment within the count.[49]

Under 37 C.F.R. § 1.131, an inventor may make a showing of prior invention by showing either a reduction to practice prior to the date of the reference or conception of the invention prior to the date of the reference coupled with diligence from prior to the effective date of the reference up to a subsequent reduction to practice. Even where the content of the provisional application was not sufficient to establish a date of invention of even a single embodiment, it may contain information that could be used in combination with other evidence to establish a date of invention before the effective date of a reference. For example, a provisional application could be submitted along with an affidavit or declaration that remedies its deficiencies.

4. Prior Art Effect

When a patent issues on a nonprovisional application claiming the benefit of a provisional application, what is the effective date of the patent for prior art purposes?

Under 35 U.S.C. § 102(e), a U.S. patent that is not issued on a PCT international application is effective as prior art against all other applicants as of the date when an application was filed in the United States. Because a section 111(b) provisional application is an application filed in the United

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[48] 523 F.2d 1386, 187 U.S.P.Q. (BNA) 426 (C.C.P.A. 1975).

[49] *Id.* at 1389, 187 U.S.P.Q. (BNA) at 429.

Where a patent claims the benefit of a foreign application under section 119, the patent is considered to be prior art as of the United States filing date, and not the foreign priority date.[56] Prior art benefit as of the section 119 foreign priority application date is denied because the application was not filed in the United States as prescribed in section 102(e). Filing a patent application in the United States, which now can be a provisional application, at or about the same time as the foreign priority application is filed, provides benefits to the non-U.S. inventor that are not obtained from the foreign priority application. A timely filed section 111(a) application could rely on the benefit of a foreign priority application under section 119(a), and at the same time rely on the filing date of a provisional application under section 119(e).

Note that if the patent is issued on an international application filed under the PCT and it designates the United States, the section 102(e) prior art effect date is the date that the conditions in sections 371(c)(1), (2), and (4) are satisfied.[57] These conditions are prescribed for entry into the national stage in the United States, such that the section 102(e) date of any patent issuing on an international application is the date that the filing fee, copy of the international application, and the oath or declaration of the inventor(s) are filed in the PTO.[58] Unless steps are taken to accelerate entry into the national stage in the United States,[59] entry at the twenty or thirty-month time

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[56] *In re* Hilmer, 359 F.2d 859, 882-83, 149 U.S.P.Q. (BNA) 480, 499-500 (C.C.P.A. 1966).

[57] This provision in section 102(e) results from a reservation taken by the United States under Article 64(4) of the Patent Cooperation Treaty. The reservation provides, in effect, that the United States may consider that the filing outside the United States of an international application designating the United States is not equated to an actual filing in the United States for prior art purposes.

[58] 35 U.S.C. § 371 (1988).

[59] It is possible to obtain early entry into the national stage in the United States by complying with the requirements of section 371. 35 U.S.C. § 371(f) (1988). This procedure provides an earlier section 102(e) date for any patent issuing on the international application. U.S. DEP'T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 1896 (6th ed. rev. 1995) [hereinafter MPEP]. Early entry into the national stage in the United States does not mean that the international application will be

minimum requirements necessary to establish a pending provisional application.[61]

1. Specification

The specification must contain a description of the invention that is sufficient to comply with the first paragraph of section 112. The benefits that can arise from different levels of disclosure were discussed above.

The specification need not follow any particular format either in terms of the presentation of the subject matter or the language of the specification. The PTO has indicated that a provisional application need comply with the "requirements of [37 C.F.R.] §§ 1.52(a)-(c) only to the extent necessary to permit microfilming and storage of the provisional application."[62] The PTO has expressed a preference for the format suggested in 37 C.F.R. § 1.77.[63]

The PTO has further indicated that even though a provisional application may be filed in a language other than English, an English language translation and the payment of an additional fee will be required pursuant to 37 C.F.R. § 1.52(d).[64] Failure to timely submit the translation and fee will result in abandonment of the provisional application. The PTO has also indicated that if it neglects to mail a notice requiring a translation, an English language translation will be required to be supplied in every section

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[61] The PTO has indicated that it would be appropriate to mark a product with "patent pending" during the pendency of a provisional application. UNITED STATES PATENT AND TRADEMARK OFFICE, QUESTIONS AND ANSWERS REGARDING THE GATT URUGUAY ROUND, 28 (June 1, 1995) (response to question 47).

[62] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,209 (response to comment 42).

[63] *Id.* (response to comment 38).

[64] *Id.* (response to comment 43). When an application is received in a language other than English, the PTO sends a notice to the correspondence address indicating that a translation is required within a period of time, usually one month, set in the notice.

3. Inventor(s)

A provisional application must be "made or authorized to be made, by the inventor."[69] To this extent, the requirement is the same as for a nonprovisional application. As with a nonprovisional application, if no inventor is named in a provisional application, the PTO will send a "Notice of Incomplete Application" to the correspondence address and provide a period of time to identify an inventor. The filing date assigned to the provisional application is the date the name of an inventor is submitted.[70]

Determining the inventors in a nonprovisional application requires identifying the individuals who contributed to the invention as defined in the claims in the application. After all, the second paragraph of 35 U.S.C. § 112 requires that a claim point out what the applicant regards as the invention.

Identifying inventors in a provisional application could pose a problem without a claim to define the invention, and theoretically could lead to naming people that invented tools or starting materials that were used to make the invention that gave rise to the interest in filing a patent application. The PTO has indicated that any person who contributed to the subject matter described in the provisional application should be named as an inventor.[71]

When naming inventors in a provisional application, the focus should be on the invention that is likely to be claimed in the subsequent nonprovisional application that can mature into a patent. It is probably better to err on the side of listing more individuals as contributors in the provisional application and save any rigorous inventorship analysis for the

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[69] 35 U.S.C.A. § 111(b)(1) (West Supp. 1995). As with nonprovisional applications, exceptions are made when the inventor is deceased, 37 C.F.R. § 1.42 (1994), is legally incapacitated, 37 C.F.R. § 1.43 (1994), or refuses to sign and cannot be reached, 37 C.F.R. § 1.47 (1994).

[70] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,201 (to be codified at 37 C.F.R. § 1.53(b)(2)). If the omission is not supplied within the time period set, the incomplete application papers may be returned or otherwise disposed of by the PTO. *Id.* at 20,202 (to be codified at 37 C.F.R. § 1.53(c)).

[71] *Id.* at 20,208 (response to comment 30).

provisional application, if there is one inventor in common. Benefit of the provisional application requires only a single inventor in common with the nonprovisional application.

4. Indication That Provisional Application Is Intended

In order for the PTO to process a collection of papers as a provisional application, the papers must provide some clear indication that a provisional application is intended. Unless the application papers as filed contain such a clear indication, the papers will be processed as an attempt to file a section 111(a) application.[78] The default processing procedure for the PTO is—when in doubt, treat it as a nonprovisional application.

It is entirely possible that an application would be filed with only a specification, drawing, and an inventor's name. This is likely to be treated as an incomplete application, not entitled to a filing date because no claim was presented on filing. This error can be corrected by filing a petition, including the fee, requesting that the application as presented be treated as a provisional application and be assigned, as a filing date, the date of the original deposit of the application papers.[79]

5. PTO Processing

When processing a provisional application, the PTO will not evaluate whether any description of the invention complies with section 112, first paragraph, and will not evaluate whether drawings are necessary to understand the invention. The review that is conducted by the PTO for filing date purposes is ministerial in nature, checking only to see that there is a narrative that will be considered to be the specification, determining whether drawings are referenced in the narrative, whether one or more inventors are named, and that there is some indication that the applicant intends to file a provisional patent application. If these requirements are satisfied, the PTO will assign a provisional application number and a filing date to this collection of papers, and place them in a provisional application file wrapper.

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[78] *Id.* at 20,223 (to be codified at 37 C.F.R. § 1.53(b)(2)(i)).

[79] 37 C.F.R. § 1.53(c) (1994).

B. *Additional Requirements For Complete Provisional Application*

A complete provisional patent application contains a specification prescribed by the first paragraph of section 112, any drawing necessary to understand the invention,[85] a filing fee of $150.00 which is subject to a small entity discount of fifty percent when accompanied by a small entity certification, and a cover sheet which identifies information necessary for the PTO to both prepare a provisional application filing receipt, and properly identify the application in its electronic database.

1. Fees

The statutory fee for filing a provisional application, and the surcharge fee for complying with the requirements for a complete provisional application after the filing date, are subject to a small entity discount of fifty percent. In order to take advantage of the small entity discount in a provisional application, the same procedures that apply to nonprovisional applications must be followed.

Fees that are submitted with petitions filed in a provisional application are not subject to a small entity discount. Thus, a petition to correct inventorship, change a filing date in an application filed as a provisional application, or convert a section 111(a) application to a provisional application must be accompanied by the fee prescribed in 37 C.F.R. § 1.17(q), which is not subject to a small entity discount.

2. Cover Sheet

Although the PTO has made available a cover sheet that can be used, the cover sheet requirements do not prescribe a particular format for presentation, but address only the informational content requirements. Accordingly, it is permissible to use a cover sheet other than that made available by the PTO so long as it contains the required information.

The information required to be present on the cover sheet is prescribed in 37 C.F.R. § 1.51(a)(2)(i). There must be an indication that the application is being filed as a provisional patent application. This is

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[85] 35 U.S.C. § 113 (1988).

Petitions to revive must be filed promptly after the applicant becomes aware of the abandoned status of the provisional application.[87] A petition to revive can be based on either an unavoidable[88] or unintentional[89] delay in responding. There is no procedure for reversing an intentional act of express abandonment.

Petitions to revive are not available to restore a provisional patent application to a pending status after twelve months from its filing date. Although petitions to revive a provisional application that went abandoned before the statutory twelve-month abandonment date can be filed after the twelve-month period, the provisional application cannot be regarded as pending twelve months after the filing date of such application.[90]

To illustrate this point, consider a provisional application filed on July 5, 1995 without a filing fee. The PTO sent a notice to the applicant that the provisional application was filed without a filing fee and set a one month period to pay the filing fee and the surcharge. This notice was not received by the applicant, and the subsequent PTO notice of abandonment was not received. The applicant did not become aware that the provisional application had gone abandoned prior to twelve months from the filing date, and the lack of copendency with the subsequently filed application, until after filing a section 111(a) application claiming the benefit of the provisional application. So long as the applicant was able to satisfy the requirements for unavoidable or unintentional delay in paying the required fees, a petition to revive promptly filed after becoming aware of the abandonment, although filed more than twelve months after the provisional application was filed, would receive favorable consideration by the PTO to restore pendency up to the statutory twelve-month abandonment date and establish copendency with the subsequently filed section 111(a) application.

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[87] *Id.* at 20,227 (to be codified at 37 C.F.R. § 1.139(a)).

[88] *Id.*

[89] *Id.* (to be codified at 37 C.F.R. § 1.139(b)).

[90] 35 U.S.C.A. § 111(b)(5) (West Supp. 1995).

into a patent and which claims the benefit of the filing date of the provisional application. As long as there is one inventor common to both the provisional and the subsequent patent application, there is no need to change the inventorship in the provisional patent application.

Third, it may be desirable to include a claim and to have the inventor(s) execute an oath or declaration with respect to the provisional application. The oath or declaration would not be filed as part of the provisional application, but would instead be retained in, for example, counsel's files as some protection against unavailability of the inventors when the nonprovisional application is filed. If the nonprovisional application is the same as the provisional application, including a claim, the oath or declaration executed by the inventors could be filed in the nonprovisional application. The PTO has indicated that it has terminated the practice of objecting to a stale oath. Neither the statute nor the rules require a recent date of execution to appear on the oath or declaration. Accordingly, the PTO practice of objecting to an oath or declaration that has been executed more than three months before the filing date will no longer be followed.[94]

Fourth, a claim presented with a provisional patent application would provide some measure of protection in preserving, under 35 U.S.C. § 135(b), an opportunity to contest priority of an invention claimed in another patent. The authority to contest priority with respect to an invention claimed in a patent may be lost unless a claim to the same patentable invention is presented in an application within one year of the issue date of the patent.

Finally, the presentation of a claim in a provisional application may provide a safety valve to preserve the ability to rely on the filing date of the provisional application where an error is made in filing the subsequent application in which it is desired to claim the benefit of the previous application. Such a situation could arise where the subsequent application is filed outside the statutory twelve-month period of pendency of a provisional application, or where Rule 60 procedures were mistakenly used to file a nonprovisional application based on a provisional application, or

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[94] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,211 (response to comment 62).

determine whether, with respect to each claim in the nonprovisional application, the provisional application supports each claim in the manner required by the first paragraph of section 112. To the extent it does, the intervening prior art would be removed as prior art. To the extent that it is not so supported, the applicant could not rely on the filing date of the provisional application and would have to consider other methods of overcoming or avoiding the intervening prior art.

The second situation that is likely to arise where the content of the provisional application will be evaluated is where a patent has been issued claiming the benefit of a provisional application. It may be significant that the effective date of that patent under section 102(e) is either the filing date of the application which matured into the patent or the filing date of the provisional application to which benefit is claimed in the patent. When the difference between these potential effective dates is significant, as where another patent application has a filing date between the provisional and nonprovisional filing date of the patent, it must be determined by inspection of the content of the provisional application which filing date is appropriate as the prior art date of the issued patent. This is no different from the situation today where an issued patent is a continuation-in-part or has a continuation-in-part in the chain of applications from the first filed to the issued patent. The question in these situations is what is the earliest filing date to which the patent is entitled that provides a continuous chain of pending applications that support the subject matter relied upon.

D. *Access To Provisional Application*

The rules and procedures applicable to provisional applications are no different than those applicable to any other pending or abandoned application. A provisional application is kept in confidence by the PTO unless it is identified in a U.S. patent.

What makes access to a provisional application potentially unique among other pending or abandoned applications is that, absent identification in one of the published documents noted above, access is available to the inventor(s), assignee, or attorney or agent of record.[95] Since a provisional application is unlikely to be assigned or even to contain an appointment of

[95] 37 C.F.R. § 1.14 (1994) (as amended by Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,221).

establishing support in a provisional application for a sequence claimed in a later application.[99]

VI. CONVERSION TO A PROVISIONAL APPLICATION

It is also possible to convert a section 111(a) nonprovisional application to a provisional application as of the filing date of the nonprovisional application. There are at least two circumstances where it may be desirable to convert a section 111(a) application to a provisional application as authorized under 35 U.S.C. § 111(b)(6).

First, the applicant may have failed to indicate that the application was intended to be filed as a provisional application. Under these circumstances, the PTO will process the application as a section 111(a) application. However, it will be possible to convert this application to a provisional application by filing an appropriate petition with a fee indicating the intent to have the application as filed treated as a provisional application.

Second, an applicant may desire to start prosecution anew toward the end of the first year's pendency to postpone the starting date for the twenty-year patent term, effectively providing patent protection up to twenty-one years from filing the first application. In technologies where pendency is low, it is also possible that applicant will receive at least one PTO action within the first year of pendency.

The procedure for converting the section 111(a) application to a provisional application must be exercised within twelve months of the filing of the section 111(a) application, or before the abandonment, payment of the issue fee, or filing of a request to convert the application to an SIR.[100] The procedure involves nothing more than filing a petition, and fee,[101] requesting conversion. Of course, it will be necessary for the applicant to file a second application that will be copending with the application that is to be converted to a provisional application in order to preserve the opportunity to obtain a patent.

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[99] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,211 (response to comment 56).

[100] *Id.* at 20,223 (to be codified at 37 C.F.R. § 1.53(b)(2)(ii)).

[101] *Id.* at 20,226 (to be codified at 37 C.F.R. § 1.17(q)).

years from the filing of the nonprovisional application plus twelve months of pendency of the provisional application. This is the same benefit that non-U.S. inventors can obtain by waiting the Paris Convention year after filing the first application in their own country to file a nonprovisional application in the United States.

B. *Deferred Examination For About Twelve Months*

Filing a provisional application provides a quick and relatively inexpensive entry into the patent system. The formal and legal requirements for a provisional application are fewer in number and provide greater flexibility to the inventor in presenting a written document to the PTO. In addition, the fees associated with filing and correcting a provisional application are significantly less than those associated with a nonprovisional application. Since no examination for patentability takes place in a provisional application, filing a provisional application provides an opportunity to defer examination of an invention for a period of twelve months.

Deferring examination for up to a year postpones the costs and perhaps risks of early examination of a nonprovisional application. The one-year period provides an opportunity for an inventor to seek financial assistance for patent prosecution or product development, while having the security of a patent application on file with the PTO. Filing a provisional application may be prudent before disclosing the invention to a prospective purchaser or licensee, and may even facilitate open discussion so long as both parties know that a patent application is on file.

Deferring examination can also make the examination process more effective and efficient once it is started. When the nonprovisional application is picked up for examination, the prior art available to the examiner is likely to be more complete. The technical literature and the various abstracting services that make this information accessible to the public are more organized. Applicants are more likely to have a better idea of any commercial goals relative to the described invention and are better able to draft claims that define the scope of the invention consistent with the commercial outlook.

subject matter relied upon in the issued patent is supported in both the international and provisional applications.

D. *Constructive Reduction To Practice In The United States*

The filing of a provisional application will establish, as of the filing date, a constructive reduction to practice of the invention described in the application. The early U.S. filing date is obviously critical for obtaining patents in countries with first-to-file patent systems, but can also provide important advantages in the United States first-to-invent system.

Although priority of invention is often determined through evidence of conception and reduction to practice, an inventor who is able to establish the earliest filing date, and thus become the senior party, can have significant procedural advantages in an interference proceeding. Indeed, there may even be times, particularly with the changes to section 104 and the effective date of those changes, that parties to an interference may well have to rely on the same date of invention. Under these circumstances, the U.S. Court of Appeals for the Federal Circuit has held that the senior party would prevail in the interference because the junior party has failed to overcome the date of invention to which the senior party is entitled.[104]

A provisional application that satisfies the requirements of the first paragraph of section 112 could also be used to overcome prior art that intervenes between the filing of the provisional application and the filing of a nonprovisional application. To the extent that the provisional application fully supports a claim in the nonprovisional application, the applicant would be entitled to the provisional application filing date to remove that reference as prior art.

Even if the provisional application did not fully support the claim in the nonprovisional application in the manner required by the first paragraph of section 112, the provisional application, together with an affidavit under 37 C.F.R. § 1.131 to make up for the deficiencies in the disclosure of the provisional application, could be effective to remove the intervening document as prior art. Under 37 C.F.R. § 1.131, the applicant must show either (1) a reduction to practice prior to the date of the reference, or (2) a

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[104] Oka v. Youssefyeh, 849 F.2d 581, 7 U.S.P.Q.2d (BNA) 1169 (Fed. Cir. 1988).

on May 1, 1997. In that event, the April 1, 1997 publication is not a statutory bar. This is because section 119(e)(1) does not contain the "actual U.S. filing date" language of section 119(a). The German inventor can therefore antedate this reference by relying on the 1996 activity in Germany under 35 U.S.C. § 104 as amended by the URAA.

F. *Protecting Absolute Novelty Worldwide*

Any U.S. inventor that is considering obtaining patent rights outside the United States must be aware of the absence of a grace period in most countries. Thus, any public disclosure of the invention prior to the effective filing date of a patent application destroys the opportunity to obtain a patent in most countries. This absolute novelty requirement is a trap for inventors who may rely on a grace period available in a few countries.

Filing a provisional application provides a mechanism for protecting absolute novelty in Paris Convention countries worldwide. Consider, for example, the client who informs you on the day before he is to make a public presentation, complete with written handouts containing his name, about a new device that he would like to market.

Unless an application is filed on the very day that this public disclosure is made, your client stands a good chance of destroying potential patent rights in most countries granting patent protection, particularly if the written materials contain an enabling disclosure. One benefit of the ease of filing a provisional application is that it would be possible to protect absolute novelty worldwide by filing a copy of the written materials with a cover sheet that reads "Provisional Patent Application" on the day before the public presentation.

VIII. FILING STRATEGIES

The introduction of provisional applications has created new opportunities for inventors seeking patent protection in the United States. Both U.S. and non-U.S. inventors will be able to use provisional applications in ways that are designed to maximize effective patent protection in the United States and reduce costs of obtaining that protection.

There are many factors to weigh in developing a patent procurement strategy that takes into consideration the opportunity to file a provisional application. The decision to file a provisional application will depend on an

fully developed. This approach could be beneficial in highly competitive areas where the disclosure of even a single species of an invention may have important advantages in terms of establishing a constructive reduction to practice or an early prior art effect date.

The amount of effort that is devoted to preparing a provisional application as an emergency filing is likely to be minimal. It is not likely to involve much, if any, involvement by a patent practitioner and will most often involve the written materials created by the inventors. Compared to a section 111(a) application, the emergency filing is likely to contain a report of work that has just been completed or a copy of the manuscript that is about to be released to the public.

2. Prompt Filing

Prompt filing of a provisional application involves an intermediate stage of effort between an emergency filing and the full development of a patent application. This type of provisional application would typically be used to document a complete description of an invention, or to document the developmental stages of a project as solutions to significant problems are identified. In the latter context, this type of filing can be viewed as an alternative to a conventional CIP application strategy.

This type of filing also may be considered as an alternative to the document disclosure program which has been utilized by over 20,000 individuals annually during the past several years.[105] Another benefit of this type of provisional application is that it provides some measure of protection against misappropriation when it is desirable to disclose the invention to a perspective buyer, partner, or licensee. It may also provide useful evidence if it becomes necessary to establish derivation by another individual.

The amount of information contained in this type of provisional application will typically include a complete explanation of the invention and disclosure that would support a broad claim. The focus of the description should be on what has been achieved to date and the immediate targets of further development, rather than on what may be possible to

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[105] *See* U.S. DEP'T OF COMMERCE, ANNUAL REPORT OF THE ASSISTANT SECRETARY OF COMMERCE AND COMMISSIONER OF PATENTS AND TRADEMARKS FOR FISCAL YEAR 1993 at 52 (Table 4: Income From Fees).

to file the CIP application within the twelve-month deadline for conversion, and convert the parent application to a provisional to take advantage of the shift of the twenty-year patent term which would then be measured from the filing date of the CIP application.

Depending on the pendency to first PTO action in the examining group to which the application is assigned, it may be considered desirable to refile the application after receiving a PTO action or discovering prior art that would change the prosecution strategy. Instead of relying on continuing the prosecution of the application on file, a continuing application could be filed within the twelve-month deadline for conversion, convert the application on file to a provisional application, and again take advantage of the shift in the twenty-year patent term to run from the filing date of the continuing application.

Use of the conversion filing procedure must be considered with great care. Not only does it involve additional costs associated with filing two separate nonprovisional applications, but the efficiency of processing new applications through the PTO has not been without occasional delays. Also, proper attention to complying with all filing requirements and monitoring the status of the new application once filed, normally will ensure prompt processing and consideration by the examiner.

B. *Non-U.S. Inventor*

Although the same benefits and strategies described above are available to non-U.S. inventors, the strategies that would be considered by non-U.S. inventors normally would be considered in conjunction with a first filing in a country outside the United States. For this group of inventors, the filing of a provisional application in the United States in addition to filing an application in their own country can provide several additional benefits.

Inventors outside the United States have always had the opportunity to file a U.S. patent application at the same time as their own country filing, without taking advantage of the Paris Convention priority year. Very few took advantage of this opportunity because of the costs associated with this strategy. Accordingly, the advent of a provisional application does serve to reduce the costs of filing a patent application in the United States, while retaining the benefits of establishing a U.S. filing date described above.

IX. CONCLUSION

The introduction of a domestic priority system has added a new dimension to patent procurement in the United States. Introduction of provisional applications provides a new array of opportunities and complexities that will both benefit and challenge inventors and patent practitioners.

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PROVING A DATE OF INVENTION AND INFRINGEMENT AFTER GATT/TRIPS

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I. INTRODUCTION 312
II. NEW 35 U.S.C. § 104 313
A. *Effect On Interference Practice* 316
B. *Penalty For Inadequate Discovery* 318
C. *No Change To 35 U.S.C. § 102(g)* 321
1. Interference Proceedings 321
2. Third-Party Secret Prior Art 324
III. FIRST TO INVENT 325
A. *Conception* 325
B. *Reduction To Practice* 326
1. Actual Reduction To Practice 326
2. Constructive Reduction To Practice 326
C. *Diligence* 327
D. *Corroboration* 330
IV. EFFECT ON RULE 131 PRACTICE 331

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iii. Epilogue 361
b. Bristol-Myers Squibb Co. v. Royce Laboratories, Inc. 362
i. Background 362
ii. Before the district court 363
c. *Are intervening rights transferable?* 365
d. *Are intervening rights limited in scope to pre-June 8, 1995 activity or preparation?* . . 365
2. Reissue And Reexamination 365
3. Revived Patents 366
E. *Summary* 366
VII. CONCLUSION 367

any WTO member country.[7] Because of this dramatic change, non-U.S. inventors will now be on "equal footing" with U.S. inventors in patent interference proceedings and in avoiding non-statutory bar prior art.

The URAA also provides for an expanded definition of infringing activity. Under the previous law, making, using, or selling a patented invention constituted infringing activity and subjected the infringer to penalties. Article 28 of TRIPS adds to this list the acts of offering for sale and importing the patented invention (or product of a patented process).

This Article addresses both the new opportunities provided by the amendment to section 104 and the new infringement provisions.

II. NEW 35 U.S.C. § 104

Section 531(b) of the URAA provides that the effective date of the amendment to 35 U.S.C. § 104 is January 1, 1996, one year from the date of entry into force of the WTO Agreement with respect to the United States.[8] After that date, inventors in WTO countries will be able, under amended section 104, to rely on inventive activity outside the United States to prove a date of invention earlier than their United States, Paris Convention, or

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[7] 35 U.S.C.A. § 104 (West 1984 & Supp. 1995).

[8] § 531(b) Effective date.

> (1) In general. Except as provided in paragraph (2), the amendment made by this section shall apply to all patent applications that are filed on or after the date that is 12 months after the date of entry into force of the WTO Agreement with respect to the United States.
>
> (2) Establishment of date. An applicant for a patent, or a patentee, may not establish a date of invention for purposes of title 35, United States Code, that is earlier than 12 months after the date of entry into force of the WTO Agreement with respect to the United States by reference to knowledge or use, or other activity, in a WTO member country, except as provided in sections 119 and 365 of such title.

URAA, *supra* note 5 (to appear at 35 U.S.C. § 104 note).

al., 1968 C.D. 102 (Bd. of Int. 1967), 855 O.G. 12 (Decided October 26, 1967); and *Oka v. Youssefyeh*, U.S.P.Q.2d 1169 (Fed. Cir. 1988).[12]

According to the PTO, therefore, the situation will be the same as before the URAA with regard to parties claiming the same date of invention. One must look to the case law cited, however, to determine just what the situation is.

In *Wood v. Eames*, the Commissioner found that since neither party was the first to invent, neither party could be awarded priority. There is no discussion regarding senior versus junior party, which party was the first to file, or what the parties submitted as proof of an earlier date of invention.

Lassman v. Brossi provides a little more guidance. In this case, both parties filed foreign applications on February 12, 1960, giving both parties identical effective filing dates. Although the decision is not crystal-clear, apparently, because of these facts, neither party can be the senior party. Thus, neither party was entitled to a presumption of earlier invention that the other party must overcome. With respect to count one, neither party showed a date of conception or reduction to practice earlier than the February 12, 1960 filing date. Therefore, neither party met the burden of proof of priority. Without proof of prior inventorship, both parties were left with their identical filing date and neither party was awarded priority with respect to count one.

If one party had an earlier United States or foreign filing date, presumably that party would have been entitled to be the senior party with a presumption of priority. The burden would then be on the junior party to prove an earlier date of invention.

In the final case cited, *Oka v. Youssefyeh*, the Federal Circuit held that in the case of a tie between the senior party's filing date and the junior party's date of conception, the senior party is awarded priority. The burden was placed on the junior party to overcome the presumption in favor of the senior party by a preponderance of the evidence. Since that burden was not met, the tie was settled in favor of the senior party.

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[12] QUESTIONS AND ANSWERS REGARDING THE GATT URUGUAY ROUND AND NAFTA CHANGES TO U.S. PATENT LAW AND Practice 6 (United States Patent and Trademark Office, June 1, 1995).

presented by way of affidavit or declaration with an English translation, any cross-examination a United States party wishes to take may be complicated by the requirement for interpreters.[13]

It seems likely that more interferences will be declared. Indeed, foreign parties may actively seek interferences in situations where they previously would not have bothered because they had no chance to prevail. For example, assume that a U.S. patent applicant claims subject matter that interferes with that claimed by a foreign company. The U.S. applicant's United States filing date is July 10, 1997. The foreign company's date of invention is May 15, 1997, but the foreign company's foreign priority application is not filed until August 1, 1997, and the foreign company's U.S. application is not filed until August 1, 1998.

Under the old law, the PTO would most likely reject the foreign company's application over the U.S. application under 35 U.S.C. § 102(g).[14] To provoke an interference, the foreign company would have had to make the rigorous showing required by 37 C.F.R. § 1.608(b),[15] which basically requires a showing of prima facie entitlement to judgment. It would be highly unlikely that such a showing could be made because the foreign company, under the old law, would be precluded from relying on its May 15, 1997 non-U.S. inventive activity.

Under the new law, however, assuming the conditions discussed are met, the foreign company can rely on its non-U.S. activity to demonstrate prima facie entitlement to judgment. Particularly if a foreign company feels it can establish an invention date in advance of its opponent's best date, an interference may be an attractive option. Logically, therefore, more interferences should be declared under the new law.

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[13] 37 C.F.R. §§ 1.671, 1.672 (1994). These regulations address rules for taking testimony in a foreign country, compelling testimony in a foreign country, and compelling production of documents or things in a foreign country.

[14] 35 U.S.C. § 102(g) (1988).

[15] 37 C.F.R. § 1.608(b) (1994).

> (5) Awarding compensatory expenses and/or compensatory attorney fees; or
> (6) Granting judgment in the interference.[17]

Section 1.616(d) sets out how either the opposing party or the administrative judge or Board can initiate the review to determine what inferences are appropriate.[18]

It is clear from the sanctions that the discovery provisions of section 104 are not to be taken lightly. The whole interference could be decided adversely to a foreign party refusing to produce information related to date of invention.

One question that immediately arises is whether the "could be made available" language refers to the scope of discovery allowed in a particular United States forum, or to some general standard of discoverability in the United States. Discovery in interferences before the PTO is generally very limited and bears little resemblance to the much broader scope of discovery available in federal district courts.

The Statement of Administrative Action, which is the legislative history accompanying the URAA, provides:

> Section 531(a) extends existing safeguards in section 104 . . . to ensure fairness to U.S. inventors. Under the current section 104(a)(3), . . . when a party in a proceeding before the Patent and Trademark Office, a court, or another competent authority requests information in Mexico or Canada relevant to the date of invention by an opposing party, and the information is not made available to the same extent as it could be made available in the United States, the adjudicative body must "draw appropriate inferences" or take other action permitted by statute, rule, or regulation in favor of the party that requested but could not obtain the information. The

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[17] 60 Fed. Reg. 14,521 (1995).

[18] *Id.* at 14,522.

C. *No Change To 35 U.S.C. § 102(g)*

Section 102(g) provides that a person is entitled to a patent unless "before the applicant's invention thereof the invention was made *in this country* by another who had not abandoned, suppressed, or concealed it."[21] The phrase "in this country" in section 102(g) was not amended by the Act. This was not through oversight; it is clear that GATT/TRIPS did not require, nor did it intend, to make foreign activity, outside the context of an interference, available as prior art in the United States. GATT/TRIPS requires absence of territorial discrimination with regard to obtaining and enforcing patents, but does not bear on patent-defeating activity. Nevertheless, failure to amend section 102(g) to clarify how it relates to foreign activity in an interference context could produce unintended results.

1. Interference Proceedings

Suppose that a party loses a patent interference to another inventor who proved a date of invention by relying on inventive activity outside the United States but within another WTO country. That losing party nonetheless might be able to obtain a U.S. patent for the same claims lost in the interference. How could this possibly occur?

After the interference, upon returning to the ex parte prosecution before the examiner, the examiner would no doubt reject the lost claims under the doctrine of interference estoppel. The losing party would argue entitlement to a patent unless, under unamended section 102(g), "the invention was made in this country by another who had not abandoned, suppressed, or concealed it" or unless other prior art provided a basis to reject the claims.[22] In particular, section 104, the "invention made abroad" provision, has never been considered to be a prior art section.

If some prior art basis under section 102 is required to deny the losing party the claims, we would be left with an intolerable situation: A party denied a patent under a PTO interference proceeding would be entitled to one because the other invention, which prevailed in the

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[21] 35 U.S.C. § 102(g) (1988) (emphasis added).

[22] *Id.*

The Federal Circuit upheld the Board's rejection, which, it pointed out, relied on principles of res judicata and collateral estoppel. However, a portion of the opinion is telling, which states that "[s]ince Deckler has in effect conceded that the subject claims in his application are patentably indistinguishable from his claim corresponding to the interference count, the Board properly concluded that the interference judgment barred Deckler from obtaining a patent containing those claims."[27]

One can urge, therefore, that *Deckler* is limited to a situation where the interference loser admits that the claims are not separately patentable from the lost count. More logically, however, it applies whenever the claims are in fact patentably indistinct, regardless of whether they were admitted to be so. Nevertheless, a losing party would be well advised to avoid such an admission upon return to ex parte prosecution. Unless section 102(g) is amended, this issue will probably reach the courts.

Despite the fact that section 102(g) was not amended, Congress has approved an interpretation of the Act that de facto amends section 102(g) as applied against foreign applicants attempting to prove an earlier date of invention in an interference based on foreign activity. Specifically, the *Statement of Administrative Action*, which was expressly approved by Congress in section 101(a)(2) of the URAA,[28] and set forth as the authoritative expression regarding the interpretation and application of the URAA in any judicial proceedings,[29] states:

> As foreign inventive activity may now be considered in a determination of which inventor was the first to invent,

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[27] *Id.* at 1451, 24 U.S.P.Q.2d (BNA) at 1449.

[28] URAA, *supra* note 5, at 4814.

[29] Section 102(d) of the URAA reads:

> The statement of administrative action approved by the Congress under Section 101(a) shall be regarded as an authoritative expression by the United States concerning the interpretation and application of the Uruguay Round Agreements and this Act in any judicial proceeding in which a question arises concerning such interpretation or application.

Id. at 4819.

an earlier date of invention does not qualify as disabling prior art outside the context of an interference.

III. FIRST TO INVENT

Now, in light of GATT/TRIPS, virtual worldwide inventive activity will become the focus of interference proceedings. Because of these dramatic changes to U.S. patent law, it is entirely appropriate, indeed vital, that all applicants for U.S. patents understand the basic terminology and concepts of interference practice so that they can anticipate the events that will arise in a typical patent interference in the United States.

In interference proceedings, the party determined to have invented first receives an "award of priority." To receive this award, a party must establish an earlier date of invention than the opposing party. When determining the date of invention, the PTO will consider both aspects of the inventive act, "conception" of the invention and its "reduction to practice."

A. *Conception*

"Conception" can be likened to the proverbial light bulb turning on above the inventor's head. It is the mental part of the inventive act, the idea for the invention. To be a legally sufficient conception, however, it must be more than just a general idea. In traditional interference practice, an invention is conceived of when the inventor has in mind a complete idea of the invention of the count. In most interferences, claims—and likewise counts—cover a number of different embodiments of an invention. To show conception, the inventor need not have thought of all possible embodiments. Just one embodiment is sufficient to prove conception of the count. However, the inventor must have in mind all the aspects of an embodiment of the invention embraced by the count. The inventor must also have in mind how to make or practice the invention so that the only thing left to do is the physical making of the invention. The classic, and still accepted, definition of conception is set forth in *Mergenthaler v. Scudder*:

> The conception of the invention consists in the complete performance of the mental part of the inventive act. All that remains to be accomplished in order to perfect the act or instrument belongs to the department of construction, not invention. It is, therefore, the formation in the mind of the inventor of a definite and permanent

the requirements for a complete and sufficient disclosure of an invention in a patent application.

C. *Diligence*

The first party to conceive the invention and reduce it to practice is deemed the "first to invent." If one party conceives of the invention first but reduces it to practice after the second party, he or she may still be considered the first inventor. In general, priority is awarded to the party establishing either of two sequences of events: (1) the earlier date of conception and the earlier date of reduction to practice or (2) the earlier date of conception, a later date of reduction to practice, and a reasonably diligent effort to reduce the invention to practice from just before the other party's date of conception until reduction to practice is ultimately achieved. In either case, the reduction to practice may be actual or constructive.

If the party is first to both conceive of the invention and reduce it to practice, then the opponent's diligence is irrelevant. Diligence becomes a factor only when a party is first to conceive of the invention and second to reduce it to practice. As a corollary, the date of conception has significance only when a party is second to reduce to practice and attempts to show conception and diligence from a time before the other party's date of conception.

In Case 1, party *A* conceived of the invention first and reduced it to practice first. Party *A* wins the interference and receives the award of priority. Diligence plays no role in this example. Even if party *B* was diligent and party *A* was not diligent, as in Case 2, the result does not change. Whenever a party proves it was both first to conceive of the invention and first to reduce it to practice, that party is generally entitled to the award of priority.

Diligence only becomes relevant when party *B* conceives of the invention before party *A*. In Case 3, party *A* conceived of the invention second, but reduced it to practice first. Party *B* conceived of the invention first, but reduced the invention to practice second. In this situation, since party *B* was the first to conceive of the invention, but the last to reduce to practice, diligence is now a key issue. To succeed in this example, party *B* (first to conceive, second to reduce to practice) must prove diligence from before the conception date of party *A* until the reduction-to-practice date of party *B*. If party *B* cannot prove diligence, then party *A* will be considered the first inventor on the basis of first reduction-to-practice date, as in Case 4.

In Case 5, the winner depends on which two parties are considered. In *A* v. *B*, *A* was the first to conceive and the first to reduce to practice. This combination always wins; diligence is irrelevant. In *B* v. *C*, *B* was the first to conceive and the second to reduce to practice, but *B* was diligent, so *B* wins. In *A* v. *C*, *A* was the first to conceive, but the second to reduce to practice and was not diligent. *C* was the first to reduce to practice, so *C* wins. It may be that in such a case, whichever party is designated senior party may be declared the winner. Alternatively, it might result that no party wins.

To establish diligence between conception and reduction to practice, a party must show conduct meeting well-established guidelines of the PTO Board of Patent Appeals and Interferences:

> The party chargeable with diligence must account for the entire period during which diligence is required. The standards for finding reasonable diligence are harsh. The public policy favors early disclosure, and thus the law is reluctant to displace an inventor

some corroboration of his or her own testimony. The inventor's word alone about conception and reduction to practice is simply not enough: Some independent testimony of a noninventor proving that the activities of the inventor actually occurred must corroborate the story. This "corroboration" is sometimes difficult to establish, for it can be challenging to find witnesses who can corroborate all aspects of conception and actual reduction to practice.

The corroboration requirement only applies where an inventor tries to prove conception and actual reduction to practice. When a party relies on the effective filing date of his patent application, that party is not required to put on any corroborating witnesses or provide any documents other than the patent application itself, and any earlier application, such as the convention priority application, on which the party is relying.

Because after January 1, 1996 inventors will be able to prove dates of invention on the basis of non-U.S. inventive activity, research and development labs throughout the world should evaluate the way they track their research and record its results. The records of this activity are essential for proving dates of invention and essential for prevailing in an interference.

IV. EFFECT ON RULE 131 PRACTICE

Article 27 of GATT/TRIPS affects Rule 131 practice as well as interference practice. The Code of Federal Regulations provides a procedure for removing otherwise patent-defeating prior art during patent prosecution.[37] Pursuant to this rule, an applicant may, under certain circumstances, overcome a prior art rejection imposed by the PTO by submitting evidence that the applicant invented the claimed subject matter prior to the effective date of the prior art on which the rejection is based (the filing date of the domestic patent or the publication date of a foreign patent or publication).

Prior to implementation of GATT/TRIPS, an applicant could generally rely only on activities inside the United States to establish prior invention pursuant to Rule 131. Applicants whose inventive activity occurred outside the United States, therefore, had little use for Rule 131. Except for removing a prior art reference by establishing the right to the

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[37] 37 C.F.R. § 1.131 (1995) [hereinafter Rule 131].

completion of the invention may not be established under this section before . . . January 1, 1996, in a WTO Member country . . . ."[41]

For example, assume that a U.S. patent application discloses subject matter that a U.S. patent examiner applies under section 102(e) or section 103 to reject claims by a European company. The reference application was filed in the United States on January 10, 1997. The European company's priority date is April 15, 1997, and its U.S. filing date is April 15, 1998. We further assume that the January 10, 1997 application issues as a patent on March 10, 1998. We also assume that the European company can prove completion of the invention in Germany in July 1996. Under the old law, there would be virtually no way for a European company to antedate the U.S. application's filing date because it was precluded from relying on its inventive activity in Germany. Under the new law, however, assuming the conditions discussed above are met, the European company can use section 1.131(a)(3) and rely on its 1996 German activity to antedate the U.S. application. Clearly, the European company's ability to obtain a U.S. patent is enhanced.

Because the implementation of GATT/TRIPS will allow applicants to rely on activities outside the United States to prove prior invention, companies should develop, to the extent not already in existence, internal programs for the recordation of information and data generated outside the United States that may be needed at a later date to show prior invention in the United States.

V. KEEPING RECORDS AND DEVELOPING THE EVIDENCE TO PROVE A DATE OF INVENTION

A. *Introduction*

As is apparent from the foregoing discussion, obtaining a patent in the PTO can critically depend on proof of a date of invention. For example, references (scientific articles and patents) published less then one year prior to the filing date of a patent application are not effective as prior art if the applicant can prove that the invention was made before the reference publication date. Rule 131 provides a procedure for proving a date of invention earlier than the reference publication date. In addition, inventors need to be able to prove an early date of invention to win an interference.

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[41] 37 C.F.R. § 1.131.

2. Documents

The documentary evidence may include all documents which contain information of relevance to the acts of conceiving the invention and actually reducing it to practice, such as laboratory notebooks, internal memoranda and correspondence, and other laboratory records. Contemporaneous documents usually are critical to prove a date of invention because their existence can plainly establish the date on which an idea was first recorded or on which the invention was first made or tested. On the other hand, the absence of contemporaneous documentary records undermines any witness testimony that particular work was conducted at a particular time. The Board could conclude that unsubstantiated witness testimony is not credible or reliable, and typically, without a documentary record, witnesses cannot recall the details and dates of specific acts of conception or reduction to practice.

A party cannot merely file its documentary evidence, such as pages from laboratory notebooks, and expect the documents to be self-explanatory. Instead, 37 C.F.R. § 1.671(f) explicitly requires that: "The significance of documentary and other exhibits shall be discussed with particularity by a witness during oral deposition or in an affidavit."[44]

The attorney who presents documentary evidence to the PTO Board and argues its significance is not considered a witness. Rather, the significance of each documentary exhibit used to prove facts must be discussed by at least one witness who either has personal knowledge of the document and the information in it or is an expert providing an opinion on the significance of the information in the document.

Contemporaneous documentation which identifies the dates, acts, and witnesses involved in the conception and reduction to practice of an idea can therefore provide the essential information and evidence to prove a date of invention. The witnesses familiar with the relevant documents will be able to testify about the making of the invention and introduce documentary evidence. Where such records are not available, however, there is little chance of enjoying the opportunity for proof of an invention date that GATT/TRIPS will afford.

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[44] 37 C.F.R. § 1.671(f) (1994).

is to have a non-inventor witness and sign the documents at the time produced. However, the witness may need to have more that just this basic knowledge.[48] The witness should be familiar with the inventor's work and should be able to read and understand the substance of the document.

2. Corroborating Witnesses

In the United States, the inventor is the person who conceived of the idea for the invention and how to make it. Where several people collaborated on the idea, more than one person can be named as inventor. However, all individuals who worked on the reduction to practice of an invention are not necessarily considered co-inventors under U.S. law and practice. A scientist or manufacturing employee who works on making or testing the invention at the direction of an inventor is not a co-inventor under U.S. law if he or she was not involved in forming the idea for the invention or how to make it. Examples of such "non-inventor" witnesses are:

a) A chemist who mixes the ingredients to make the formulation of the invention but played no part in deciding on the ingredients to be used;

b) A chemical analyst who determines the composition of the formulation using standard chemical analytical techniques and had no involvement in conceiving the composition or how it could be made or used; and

c) An individual who tests the formulation to determine whether it will work in its intended utility but was not the person who conceived that utility.

A co-inventor cannot corroborate the evidence of another co-inventor.[49] Therefore, non-inventors working on the reduction to practice of the invention serve the critical function of providing corroborating evidence for each aspect of a date of invention—the time when a conception was communicated from the inventor to another person, the subject matter of the

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[48] *Hahn*, 892 F.2d at 1032, 13 U.S.P.Q.2d (BNA) at 1317.

[49] Larson v. Johenning, 17 U.S.P.Q.2d (BNA) 1610, 1613 (Pat. App. & Int. 1990).

of invention, conception, and diligence depends on the existence of dated documentation.

c. *Names of individuals with personal knowledge of documented information*

Since documents must be interpreted through testimony, potential witnesses must be identified. Having the appropriate potential inventors or corroborators sign their own documents at the time they are produced conveniently provides the identities of key witnesses. In addition, at least one person who is a non-inventor should "witness" (contemporaneously read, understand, and sign) the records of the invention.

2. Recording Who Wrote And Who Witnessed Each Entry

Like all other documentary evidence in an interference, a laboratory notebook requires the testimony of a witness who attests to its authenticity and explains its contents. Exceptions to this rule exist, but usually the person who actually made the entries in a laboratory must testify about the work reflected by the laboratory notebook records as well as the practices followed in keeping the notebook. If called upon to testify in an interference in the future, the person who follows a consistent procedure of promptly and accurately recording the details and results of experiments and tests will be able to confidently recount the facts knowing that the notebook correctly reflects the actual experimental work.

Detailed, accurate records are valuable even if the person who actually made the entries in the notebook has died, is uncooperative, or is otherwise unavailable to give testimony. It is often possible to find a way to introduce the notebook into evidence where a witness simply cannot be produced. One approach is to rely on the testimony of another person who witnessed the notebook entries—a good reason for having a witness read and sign the laboratory notebook entries of a co-worker. The more familiar the witness is with the work, and the closer the witnessing to the time when the work was conducted, the more likely the notebook will be accepted into evidence.

The people who actually did the work and wrote in the laboratory notebook should sign and date every entry they make in the laboratory

corroboration usually requires more than one person to confirm all the aspects of the inventor's story.

Notebook entries made by persons who are not named as inventors on the patent do not have to be witnessed to constitute corroborating evidence. A technician, student, or other worker who is not a principal scientist might, however, make an intellectual contribution to a project, and, as a result, become a co-inventor. In that case, the entries would have to be witnessed by a corroborator.

Since a co-inventor cannot corroborate an inventor's work, a problem arises when a witness who originally was not considered an inventor turns out to be an inventor. The problem is that the individual can no longer give valuable corroborating testimony based on the witnessing of the inventor's notebook. One practice that helps avoid this problem is to have notebooks witnessed by a knowledgeable person who is not working on the same project.

4. Signing And Dating Laboratory Records

Every entry should be both signed and dated by the person who made the entry. Bound laboratory notebooks, which are available commercially, have spaces at the bottom of each page for the signature of the person who made the entries and for a witness. Where an entry extends across several pages, each page should be signed and dated on the date that the entry is made. Where several entries are made on the same page on different days, each entry should be dated.

Signing and dating should not be limited to entries which record data. Entries recording ideas should be signed and dated, since these entries can become key proofs of conception. Entries setting forth protocols for future experiments may also evidence conception and should be signed and dated. Do not limit signing and dating to what are thought to be the "important" entries. It is too difficult to know which records will become important in a legal proceeding at a later time. In any event, practically any laboratory activity can become important in proving diligence.

Whenever extrinsic materials, such as raw data from recording instruments, photographs, or specification sheets are added to a notebook, they should also be dated. After these are attached permanently with tape or glue, such added materials should be signed and dated on the day on

forgotten by the time the researcher testifies years later. Furthermore, an unexplained notation in a different color might suggest that the notation was written at a different time from other information on the page. This circumstance could raise uncertainty as to the actual date of the entries. It is better to use one color and type of pen, and if it becomes necessary to use noticeably different inks on the same page, the researcher might note an explanation (for example, because the first one ran out of ink) so as to avoid problems.

Often loose sheets of paper containing data are placed in the notebook. Such inserts may include graphs, computer printouts, printouts from recording devices, photocopies of standard protocols, photographs, and specification sheets of special reagents. Such materials are retained in the notebook as potential evidence. However, the added materials should not be left loose. They should be attached permanently to the notebook using glue, staples, or tape, and should be signed and dated.

It is sometimes necessary to make changes or additions to notebook entries. The person who signed the entry may want to correct errors in the previous calculations, fill in data in a table after results are calculated, or write down ideas that come to mind on later review of the data. In such instances, the person who alters the data should date and sign or initial each change or addition. If the reason for the addition is not obvious, it is useful to accompany the text with an explanation of why the page was altered.

If the experimenter decides to discard data that has already been entered into the notebook, it should be crossed out, preferably with an explanation of why the data is being discarded, rather than torn out of the notebook. If blank spaces are left on the page or if pages are skipped, then a line should be drawn through them to demonstrate that the spaces are intentional.

If these practices are followed consistently, the Board should assume that the laboratory notebook is a complete, consecutive, and contemporaneous record of laboratory events.

someday have to scan or read the entries. Searching a notebook for specific information will be greatly simplified and accelerated if each experiment has a heading or title and a brief explanation of the purpose of the experiment. Lastly, maintaining an index at the front of the notebook will assist in searching for the relevant information.

7. Researcher Impressions In Laboratory Notebooks

A laboratory should decide whether it wishes researchers to record impressions of the adequacy, success, or failure of an experiment in the notebook entry made at the time of the experiment. On the one hand, statements showing that the inventor considered the experiment a success are helpful in proving a date of invention. On the other hand, reservations about an experiment or a conclusion that the experiment was a failure could be damaging, even when it later is seen to have been successful. Furthermore, the legal standards of success and failure for purposes of establishing a date of invention could differ greatly from an inventor's perception. For example, actual reduction to practice only requires proof that the invention will work in the intended functional setting, whereas an inventor might be judging success on a commercial standard of performance.

It might be argued that the experimenter should record only positive impressions. However, such a practice could slant the contents of notebooks and ultimately diminish their value and credibility. It remains true that laboratory notebooks are kept mainly to assist investigators in their work. Only a fraction of all laboratory notebooks become evidence in interferences or other legal proceedings, and it is extremely difficult to anticipate which information will be helpful, harmful, or neutral. Therefore, the primary rule should be to record all *factual* information (whether a failed or successful experiment) promptly, fully, and accurately. Impressions could be included as well or could be deferred until all results are in and analyzed in documents other than the laboratory notebooks.

In any event, avoid words and phrases that convey impression and have legal meaning, such as the term "obvious."[50] The laboratory notebook

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[50] Also, a notebook should not contain malicious or facetious remarks that could later prove embarrassing if made public in a legal proceeding. For example, it could be difficult to explain away a note that "this idea was stolen from Joe Smith," even though the statement was entirely untrue and was only intended as a joke.

the electronically recorded form of the data. Persons needing access to the data can receive a hard copy, or even a duplicate of the electronic record, but the custodian maintains control over the original recording to ensure that it cannot be altered.

Another possibility is to merely establish a company policy governing treatment of electronically recorded data. Such a policy should be in writing and could specify, for example, that it is a serious breach of company policy to alter electronically recorded data, or that alterations can only be made if accompanied by an indication of when and why the alteration was made. Of course, a system that allows data to be readily altered, even if alteration is in violation of company policy, has less assurance of authenticity and reliability. However, it may be less expensive to implement and significantly easier to use. The use of electronic records as proof of dates of invention remains an unsettled area. The extent such records will be received by the PTO and the weight that will be afforded them is unknown at this time.

In any event, the problems with using electronically recorded data in legal proceedings is not unique to patent matters. In the United States, electronically recorded and stored data has been routinely used for years in commercial litigation. Surely appropriate and reasonable ground rules will be worked out by the courts and the PTO in the reasonably near future.

F. *Rule 131 Declarations*

While reference has primarily been made to interferences, corroborated documentation of conception, diligence, and actual reduction to practice will be used by WTO member country applicants in filing declarations under Rule 131. The documents which prove these facts must be included along with the declaration.

One significant difference between the use of Rule 131 and an interference is that the Rule 131 showing arises in an ex parte prosecution context. It is used to overcome a reference applied by the patent examiner

G. *Summary*

The effort expended in maintaining adequate laboratory records will pay enormous dividends. Interferences and patent prosecution often take place years after the critical events. It may be impossible to prove what happened in the laboratory, when it was done, or who did it, unless all of these facts were recorded at the time in the notebook. By adopting a requirement for the preparation and preservation of prompt, detailed laboratory records which are signed, dated, and witnessed, an inventor will enhance the likelihood of prevailing in an interference or antedating references under Rule 131.

This is particularly important for those companies who, beginning January 1, 1996, will need to prove inventive activity in the United States patent context based on acts of invention occurring outside the United States.

VI. INFRINGEMENT

Article 28 of GATT/TRIPS defines the scope of protection a patent must confer. A patent must confer the right to exclude others from making, using, offering for sale, selling, or importing the subject matter (product or process). Article 28 mandates not only enforcement rights that were already available in the United States, but also new rights to prevent others from offering for sale or importing a patented invention.

Before GATT/TRIPS, "[t]he language of section 271(a) clearly specifie[d] only the making, using, or selling of a patented invention as infringing activities."[52] Beginning January 1, 1996, the law of patent infringement will expand section 154 and section 271 to include offers for sale and importation of a patented product into the United States as acts which constitute a violation of the patent owner's rights. Also, if the invention is a process, the patent holder can exclude others from offering for sale or importing into the United States products made by that process. New section 271(a) addresses the consequences for those parties whose activities became infringing as a result of the patent term reset provisions.

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[52] Teletronics Pacing Sys. v. Ventritex, Inc., 982 F.2d 1520, 1523, 25 U.S.P.Q.2d (BNA) 1196, 1198 (Fed. Cir. 1992); *see also* 35 U.S.C. § 154 (1988).

invention" in its completed form.[54] The only action possible was a claim in equity for a permanent injunction against threatened future infringement.[55]

The new act of infringement in the new section 271(i) of an offer for sale contains an important limitation that the sale must "occur *before* the expiration of the term of the patent." If a company offers for sale a patented product, or offers for sale an unpatented product produced by a patented process, it will infringe *only* if the sale will occur before the patent expires. Suppose, for example, that a U.S. patent expires on June 2, 1996. Suppose further that an alleged infringer advertises the sale of a machine clearly covered by the claims, but specifies that the machines are not available for purchase until June 3, 1996. Offers for sale that specify a date of sale after the expiration date do not qualify as acts of infringement under section 271(i).

Solicitation of orders or advertisements will not constitute infringement unless the sale occurs before the expiration of the patent term. The central question, then, in determining whether there is infringement based on an offer for sale is *when* the sale takes place. In analyzing the question of *what* constitutes a sale under the patent laws, the courts generally apply contract principles to determine whether the required elements of a sale exist.[56] Thus, there must be an offer, acceptance, and consideration to support the sales contract.[57] Further, the sale must be complete; there must be execution of the contract, i.e., delivery of the object of the sale.[58]

As under the former law, it appears that actual production of the completed infringing article is required under the new infringement

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[54] Eli Lilly & Co. v. Medtronic, Inc., 915 F.2d 670, 673, 16 U.S.P.Q.2d (BNA) 2020, 2023 (Fed. Cir. 1990) (citing Lang v. Pacific Marine & Supply Co., 895 F.2d 761, 764, 13 U.S.P.Q.2d (BNA) 1820, 1822 (Fed. Cir. 1990)).

[55] *See In re* Lockwood, 50 F.3d 966, 971, 33 U.S.P.Q.2d (BNA) 1406, 1410 (Fed. Cir. 1995).

[56] Ardco, Inc. v. Page, Ricker, Felson Mktg., Inc., 25 U.S.P.Q.2d (BNA) 1382, 1384-85 (N.D. Ill. 1992).

[57] *Id.*

[58] *Id.*

B. *Importation Of Claimed Invention Into The United States*

Under the old law, importing patented goods into the United States was not by itself an act of infringement.[62] One exception was the importation into the United States of an unpatented product made abroad by a process patented in the United States.[63]

After January 1, 1996, the amendments provide that importation per se of a patented invention constitutes infringement, without making, using, selling, or offering the invention for sale. This is a more fundamental revision than the "offer for sale" provision. It reaches conduct that was completely exempt from infringement prior to the Act.

Although infringement by importation alone is established, the question of the remedy that may be awarded is less clear. Where no sale or other use of the imported infringing article occurs, it is unclear what damages would be adequate to compensate for the infringement under 35 U.S.C. § 284. Indeed, the reasonable royalty floor for damages under the statute is expressly tied to a royalty "for the use made of the invention by the infringer." Under these circumstances, relief may be limited to an injunction prohibiting further use or sale of the patented invention during the term of the patent, or requiring it to be removed from the United States.

Where the imported article is later used or sold by the importer, the patentee may be able to urge that interest on damages should accrue from the date of importation, rather than the eventual date of sale or use, based on the economic value ultimately derived from the infringing use of the patented invention. It would not be necessary to await such eventual use or sale to bring an infringement action, which possibly could be maintained

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[62] Of course, relief from the importation of infringing products was and will continue to be available to U.S. patent owners from the International Trade Commission (ITC) pursuant to 19 U.S.C. § 1337 (1994) (Section 337 of the Tariff Act of 1930); *see* Ralph A. Mittelberger & Gary M. Hnath, *Changes in Section 337 as a Result of the GATT-Implementing Legislation*, 22 AIPLA Q.J. 465 (1994).

[63] 35 U.S.C. §§ 154, 271(g) (1988).

D. *Intervening Rights*

1. Invested Infringers

The URAA provides intervening rights for persons whose acts become infringing as a result of reset patent terms[66] but requires payment of "equitable remuneration" to the patent owner if such acts are "continued."[67] When infringement commenced *before* June 8, 1995, or there was substantial investment made before then, the *only* remedy is "equitable remuneration," as determined by the courts. This is essentially a compulsory license.

Neither "substantial investment" nor "equitable remuneration" are defined in the statute, so the exact meaning of these terms will be a matter for litigation. The remedies of section 284, including "reasonable royalty" do

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[66] 35 U.S.C.A. § 154(c)(2) (West Supp. 1995) states:

> Remedies. The remedies of sections 283, 284, and 285 of this title shall not apply to Acts which
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> (A) were commenced or for which substantial investment was made before the date that is 6 months after the date of the enactment of the Uruguay Round Agreements Act; and
>
> (B) became infringing by reason of paragraph (1).

[67] 35 U.S.C.A. § 154(c)(3) (West Supp. 1995) states:

> Remuneration. The acts referred to in paragraph (2) may be continued only upon the payment of an equitable remuneration to the patentee that is determined in an action brought under chapter 28 and chapter 29 (other than those provisions excluded by paragraph (2)) of this title.

substantial investment made before June 8, 1995, all standard remedies—damages, injunction, and attorney's fees—are applicable.

Patent owners should review their portfolios to determine whether patents issued on or after June 8, 1978, are subject to the term-reset provision and whether existing licenses are affected by the new legislation.[71]

a. DuPont Merck Pharmaceutical Co. v. Bristol-Myers Squibb Co.[72]

The *DuPont* case represents the first construction of the Uruguay Round Agreements Act ("URAA") by the Federal Circuit. In particular, the Federal Circuit has ruled that the URAA has no effect on the Hatch-Waxman[73] statutory provisions relating to Food and Drug Administration ("FDA") approval of abbreviated new drug applications ("ANDAs") that are triggered by the act of infringement provided by 35 U.S.C. § 271(e)(2).[74]

i. Before the district court

Bristol-Myers Squibb ("BMS") owns a patent disclosing and claiming the heart drug captopril. BMS markets captopril under the trademark "Capoten." The patent issued on August 8, 1978 and was set to expire on August 8, 1995. Because, however, the patent issued in less than three years from the date of the original U.S. filing date, section 154(c)(1) of the URAA,[75] effective June 8, 1995, reset the date of expiration to February 13, 1996.

DuPont Merck et al. (collectively "DuPont") wanted to market generic captopril products during the period August 8, 1995, to February 13, 1996,

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[71] Such patents are "in force on" the effective date under 35 U.S.C. § 154(c)(1) (1988) and are therefore automatically subject to the new term provision.

[72] 62 F.3d 1397, 35 U.S.P.Q.2d (BNA) 1718 (Fed. Cir. 1995).

[73] Drug Price Competition and Patent Term Restoration (Hatch-Waxman) Act of 1984, Pub. L. No. 98-417, 98 Stat. 1585.

[74] 35 U.S.C.A. § 271 (e)(2) (West Supp. 1995).

[75] URAA, *supra* note 5, § 154(c)(1).

> (1) Determination.—The term of a patent that is in force on the date that is [June 8, 1995] shall be the greater of the 20-year term or 17 years from grant, subject to any terminal disclaimers.
> (2) Remedies.—The remedies of sections 283, 284, and 285 of the title shall not apply to Acts which—
> (A) were commenced or for which substantial investment was made before [June 8, 1995]; and
> (B) became infringing by reason of paragraph (1).
> (3) Remuneration.—The acts referred to in paragraph (2) may be continued only upon the payment of an equitable remuneration to the patentee that is determined in an action brought under chapter 28 and chapter 29 (other than those provisions excluded by paragraph (2) of this title.[77]

The URAA thus creates protection for parties who commenced acts (or made substantial investment toward commission of acts) before June 8, 1995 which become infringing because of the extension of the patent period. Patentees may not assert the traditional patent remedies of 35 U.S.C. §§ 283, 284, and 285 for infringing acts committed by these qualifying persons during the Delta period.

But the issue for the court was: does that protection exist for an ANDA applicant or does the ANDA applicant remain subject to the paragraph IV certification procedure of Hatch-Waxman? If the paragraph IV certification procedure applies, DuPont urged that BMS could extend the infringement suit through February 13, 1996, and thus prevent DuPont from marketing the generic product during the Delta period even though it was ready, willing, and able to pay an equitable remuneration during the Delta period.

In the lawsuit DuPont sought:

(1) a declaration that they made "substantial investments" and/or have commenced "Acts" prior to June 8, 1995 in preparing to compete with the BMS patent after its original expiration date;

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[77] 35 U.S.C.A. § 154(c)(1)-(3) (West Supp. 1995).

captopril patent. Part (2) was met because DuPont had spent much money in the potentially infringing activity of submitting ANDAs.

The Federal Circuit then turned to the legal relation between 35 U.S.C. § 154(c) and the Hatch-Waxman provisions governing FDA approval of ANDAs. As a pure question of law fully briefed by the parties on the record, the Federal Circuit determined this issue on the merits itself, rather than remanding it to the lower Court and resulting in further delay. Based on the discussion above, the Federal Circuit noted that should DuPont file an amended ANDA, specifically a paragraph IV certification, DuPont would commit infringement under 35 U.S.C. § 271(e)(2).

In holding that DuPont had failed to state a claim upon which relief can be granted and thus affirming the district court's dismissal, the Federal Circuit reasoned as follows:

> In sum, the URAA, by its terms, exempts a qualified infringer from the remedies of sections 283, 284, and 285 of Title 35. The URAA, however, works no change on the definition of infringement under section 271(e)(2) and has no affect on the statutory provisions relating to FDA approval of ANDAs that are triggered by that act of infringement. *See* 21 U.S.C. § 355(j). Contrary to DuPont Merck/Endo and Mylan's contentions, section 154(c) of the URAA does not clash with the Hatch-Waxman Act. Therefore, DuPont Merck/Endo and Mylan have not stated a claim upon which relief may be granted.[79]

iii. Epilogue

Calling the FDA interpretation of the URAA a "loophole" that must be closed so that the GATT treaty is not "improperly implemented," a bill was introduced at the end of August that would make it clear that the URAA will affect the Hatch-Waxman amendments.[80] That is, ANDA applicants will be included in the scope of section 154(c)(3) and will be permitted to market

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[79] DuPont Merck Pharmaceutical Co. v. Bristol-Myers Squibb Co., 62 F.3d 1397, 1402, 35 U.S.P.Q.2d (BNA) 1718, 1722 (Fed. Cir. 1995).

[80] *See* S. 1191, 104th Cong., 1st Sess. (1995); *Legislation: Bill Would Close 'GATT Loophole' for Pharmaceutical Patent Holders*, 50 Pat. Trademark & Copyright J. (BNA) 516 (Aug. 24, 1995).

there is no reason to exempt drug companies from the "safe harbor" provisions of section 154(c).[84]

There is no discussion in the legislative history about the effect of the URAA on FDA approval procedures, and particularly the Hatch-Waxman amendments.

Royce amended its ANDA to include a paragraph IV certification claiming that the manufacture, use or sale of a generic version of captopril during the reset patent term period will not infringe BMS' patent. The reason supporting this was the claimed protection of section 154(c) of the URAA.

Following Hatch-Waxman procedures, BMS filed an infringement suit against Royce. Such an action suspends FDA approval of the ANDA until either the patent expires, the suit is resolved, or thirty months have passed, whichever occurs first.[85]

ii. Before the district court

The court had to determine whether the claim in Royce's paragraph IV certification was correct.

BMS argued that Royce infringed the patent by filing a paragraph IV certification in its ANDA.[86] The court found, however, that the issue was not whether the paragraph IV certification infringed the patent, but whether the manufacture, use, or sale by Royce infringed the patent.

The court found that the Federal Circuit in *DuPont* only determined that the URAA did not eliminate the procedures of the Hatch-Waxman amendments, nor change the definition of section 271(e)(2). The court distinguished this case by characterizing the issue as whether filing a paragraph IV certification blocks a drug company from operating as an "invested infringer" under section 154(c).

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[84] *Id.*

[85] 21 U.S.C.A. section 355(j)(4)(b)(iii)(I-III) (West Supp. 1995).

[86] 35 U.S.C.A. section 271(e)(2) (West Supp. 1995).

c. *Are intervening rights transferable?*

One question that does not appear to be dealt with in the statute or in any of the interpretative aids is whether the intervening right that company *A* may obtain by commencing infringement before June 8, 1995, of a patent that has its term reset on June 8, 1995, can be transferred. In other words, can the "Ma and Pa Automobile Company" transfer its rights under the Act to say, General Motors? If so, mischief can certainly be done. It is one thing for an automotive company such as Mercedes Benz to be forced to grant a compulsory license to Ma and Pa. It may be quite another thing to be forced to grant a compulsory license to General Motors.

d. *Are intervening rights limited in scope to pre-June 8, 1995 activity or preparation?*

Another interesting question is whether the intervening rights, whether or not they can be transferred, are limited in scope to the pre-June 8, 1995 activity or preparations. Assume that prior to June 8, 1995, company *A* was making and selling three tons of material per month. After June 8, will company *A* be limited to the three tons, or can it build a new plant, now that it is armed with what is effectively a compulsory license, and make ten tons per month?

2. Reissue And Reexamination

In extending the patent right to include the right to exclude others from offering for sale or importing a patented invention, Congress also amended the reissue and reexamination statutes to provide relief to persons who committed these acts prior to reissue or reexamination.

A significant distinction, however, is created between the intervening rights of the prior user of an invention patented in a reissue patent and a reexamined patent.[89] The reissue provision immunizes prior offers of sale or importation of a patented article, while the reexamination provision is limited to persons who made, purchased, used, or imported the patented invention into the United States.

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[89] *See* 35 U.S.C.A. § 252 (West Supp. 1995); 35 U.S.C.A. § 307(b) (West 1984 & Supp. 1995).

VII. CONCLUSION

The changes in proving a date of invention will impact both interference and Rule 131 practice. Subject to discovery problems, these changes should level the playing field for foreign patent applicants and foreign parties to interferences. Further, more interferences will probably be declared.

The expanded definition of infringement is important. Specifically, prior innocuous offers to sell and acts of importation can now be actionable.

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AN EMPIRICAL STUDY OF THE TWENTY-YEAR PATENT TERM

Mark A. Lemley[*]

I. INTRODUCTION 370
II. BACKGROUND 372
A. *History Of The Patent Term* 372
B. *The 1994 Revisions* 374
C. *The Current Controversy* 376
III. LENGTH OF AVERAGE PATENT TERM 382
A. *Data And Analysis* 383
B. *Submarine Patents* 391
C. *Conclusion* 392
IV. DIFFERENTIAL TREATMENT OF INDUSTRIES 393
A. *Data And Analysis* 393
B. *Submarine Patents* 414
C. *Conclusion* 415
V. PATENT TERM AND LITIGATION SUCCESS 416
A. *Data And Analysis* 418
B. *Conclusion* 421
VI. CONCLUSION 422

[*] © 1995 Mark A. Lemley. Mr. Lemley is an Assistant Professor of Law at the University of Texas School of Law. He would like to thank Toni Moore Knudson for her invaluable assistance in collecting and analyzing the data for this study, and Lois Boland, Larry Goffney, Rose Hagan, Bruce Hayden, Mike Kirk, Nancy Linck, Bill Martin, Erin O'Hara, Joan Schaffner, Rene Tegtmeyer, and two anonymous reviewers at the AIPLA Q.J. for their helpful comments.

The new patent term has engendered considerable controversy. A number of inventors have complained that the new patent term may reduce patent protection because some applications spend a number of years in "prosecution" before the PTO. Under the old law, delay in processing an application did not hurt the patentee, but under the new rule, each day spent in prosecuting the patent is a day of protection lost. Further, members of certain industries claimed that the new law disadvantaged them in particular because applications in those industries took longer than average to process. Both industry representatives and the PTO offered certain data to prove that the new law either would or would not hurt patentees. Based on the complaints of some inventors, Representative Dana Rohrabacher and Senator Bob Dole have introduced companion bills in Congress to return to the seventeen-year fixed patent term.[8]

Hard data on the effect of the new twenty-year patent term is sorely lacking. The purpose of this study is to evaluate in a neutral and systematic way the likely effects of the new law. To this end, I have collected and analyzed data from 2,081 recently issued patents and from 197 litigated patent cases. I use this data to examine three questions regarding the new law: (1) whether the new law gives more or less protection to patentees on average than the old law; (2) whether certain industries receive less protection than others under the new law; and (3) whether there is any relationship between the length of time a patent spends before the PTO and its success in subsequent litigation.

I conclude that on average, and for most industries, the new law gives more protection to patentees than the old law. However, there is some question as to whether the biotechnology industry will receive less protection under the new law. I conclude that there is no significant

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1995, and for all applications already on file on that date, the patentee can elect the longer of seventeen years from issuance or twenty years from filing as the patent term. 35 U.S.C.A. § 154(c)(1) (West Supp. 1995); *see* Kenneth J. Burchfiel, *U.S. GATT Legislation Changes Patent Term*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 222, 228 (1995) (discussing transition rules).

[8] H.R. 359, 104th Cong., 1st Sess. (1995); S. 284, 104th Cong., 1st Sess. (1995). The companion bills would retain the twenty-year term, thus complying with GATT, but it would give patentees the longer of seventeen years from issue or twenty years from filing. This requires abrogating the executive agreement with Japan.

The appropriate term of patent protection has been the subject of debate in both academic and political contexts. A number of economists have pointed to the radically different conditions governing innovation in different industries, which arguably justify differential patent protection that differs from industry to industry.[16] Others, notably Louis Kaplow, have suggested problems with such an industry-specific system.[17] Kaplow writes:

> [a]ny attempt to apply more case-specific rules would further complicate the already difficult problem facing the courts. In addition, the more one attempts to vary the patent life and the rules of exploitation industry by industry and case by case, the less compelling becomes the justification for rewarding invention through a patent system at all. In theory, direct reward systems are preferable because they avoid the monopoly costs associated with a general patent system. A central reason for reliance on a patent system is that it is thought to be too difficult to determine the appropriate level of reward fairly and accurately on a case-by-case basis.[18]

In practice, some aspects of the old law were industry-specific. Various industry groups fought for—and in some cases received—special

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[16] Richard C. Levin et al., *Appropriating the Returns from Industrial Research and Development*, 3 BROOKINGS PAPERS ON ECONOMIC ACTIVITY 783, 818 (1987) (identifying appropriability conditions over a range of 100 industries, and concluding that "[s]ince the impact of legal protection of intellectual property depends on the strength of other appropriability mechanisms and varies widely among industries, focused efforts to solve problems in specific markets would be more prudent than a broad attempt to upgrade protection."). *See generally* F.M. SCHERER, INDUSTRIAL MARKET STRUCTURE AND ECONOMIC PERFORMANCE 453-63 (1980) (identifying natural lead-time advantages which vary widely by industry); Thomas M. Jorde & David Teece, *Innovation, Cooperation and Antitrust*, 4 HIGH TECH. L.J. 1 (1989) (classifying industries into "strong" or "weak" appropriability regimes).

[17] Louis Kaplow, *The Patent-Antitrust Intersection: A Reappraisal*, 97 HARV. L. REV. 1813, 1844 (1984).

[18] *Id.* at 1844.

The new term was required by both GATT/TRIPS, a multilateral agreement entered into by over 100 nations on April 15, 1994,[22] and by a bilateral agreement between the United States and Japan.[23] Under the new rule, the length of protection a patentee receives will no longer be fixed in advance, but will be a function of the length of time a patent spends in prosecution before the PTO. With some exceptions,[24] the patent term will be

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[22] TRIPS, *supra* note 3, at art. 33. This article provides that "[t]he term of [patent] protection available shall not end before the expiration of a period of twenty years counted from the filing date." Because it is impossible to predict how long prosecution of a patent will take, the old patent term of seventeen years from issue left open the possibility that patent protection would terminate less than twenty years from filing. Thus, compliance with GATT required a change in the U.S. patent term.

[23] The Japanese and United States patent commissioners agreed in January 1994 to seek changes in the laws of both countries designed to simplify patent prosecution and accommodate the concerns of both nations. The United States agreed to replace the old seventeen-years-from-issue term with a twenty-year-from-filing term, and to introduce legislation to publish patent applications 18 months after they are filed. The latter legislation was introduced by Senator DeConcini as S. 2488, but did not pass in the 103d Congress. Similar legislation has been reintroduced in the 104th Congress as H.R. 1733. *See Bill Would Provide Early Publication of Patents*, 50 Pat., Trademark & Copyright J. (BNA) 114 (1995).

For its part, the Japanese Patent Office ("JPO") agreed to accept patent applications written in English, and to abolish pre-grant patent opposition proceedings in the JPO. *Id.*; *Proposals to Implement New Patent Term and Provisional Application Are Issued*, 49 Pat., Trademark & Copyright J. (BNA) 149, 151 (1994).

[24] Patentees whose applications are delayed due to a successful appeal, an interference proceeding, or as the result of a secrecy order are entitled to extensions of their patent term for up to five additional years. *See* United States Patent & Trademark Office, Proposed Rules to Implement 20-Year Term and Provisional Applications, 59 Fed. Reg. 63,951 (1994). For data on the average delay due to interferences, as well as the frequency of interference proceedings, see Ian A. Calvert & Michael Sofocleous, *Interference Statistics for Fiscal Years 1992 to 1994*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 417, 418-19 (1995).

primary issues driving the twenty-year term was the problem of "submarine patents."[32]

Submarine patents are applications filed by inventors who keep their application pending in the PTO for a long period of time.[33] Sometimes this delay on the part of the inventor is intentional—by delaying the issuance of their patent, these inventors hope to take the industry by surprise, announcing a new patent which all the participants in a mature market must license. Delay resulting from multiple abandonment and refiling need not be intentional to cause problems, however. Because the owner of the submarine patent will be able to claim priority to his initial application, he will presumably be able to demonstrate that he was the first inventor of the new technology. Under the patent laws, the patentee has the right to prevent all others from making, using, offering for sale, selling or importing the invention. It does not matter that the defendant developed the technology independently or before the patent issued.[34]

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[32] Submarine patents are not the only issue in this debate. For example, some economists have suggested that pioneer inventions recoup their initial investments relatively early in their patent term, and that it is only marginal inventions which require the full patent term to become profitable. *See* SCHERER, *supra* note 16, at 447-48; WILLIAM NORDHAUS, INVENTION, GROWTH AND WELFARE 76-82 (1969). If this is true, extending the patent term will arguably encourage only a few new inventions, and those of marginal significance. There is some evidence, however, that the value of patents over time may differ by industry. For example, because of regulatory delays, patents in the biotechnology and pharmaceutical industries may be more valuable at the end of their term than at the beginning. The same is unlikely to be true of software patents.

On a more practical note, problems of proof and discovery arise when patents are litigated decades after the invention was made. The inventor and her contemporaries may have died or become unavailable, and documents are likely to be lost or destroyed.

[33] For a discussion of how this can be accomplished, see *infra* text accompanying notes 37-40. *See also* Donald S. Chisum, *The Harmonization of International Patent Law*, 26 J. MARSHALL L. REV. 437 (1993). For examples of patentees intentionally delaying issuance of their own patents, *see* William L. Martin, Jr., Tort Reform and Patent Litigation: An Industry Perspective 14-16 (May 5, 1995) (paper presented at Emerging Business Disputes Along the Information Superhighway Conference).

[34] *See* 35 U.S.C. § 271 (1988).

Today, the most famous holder of "submarine patents" is Jerome Lemelson. Lemelson holds nearly 500 U.S. patents on an astounding range of inventions. Among his patents are U.S. Patent No. 5,177,645, which issued Jan. 5, 1993 on an application originally filed June 14, 1955 (a pendency of thirty-eight years); U.S. Patent 5,351,078, which issued September 27, 1994 on an application originally filed December 24, 1954 (a pendency of nearly forty years); and U.S. Patent No. 5,283,641, which issued February 1, 1994 on an application originally filed December 24, 1954 (a pendency of thirty-nine years). Indeed, Lemelson has at least fifteen patents that issued between 1978 and 1994 which stem from a single application on December 24, 1954.[39] He has a number of other patents which were pending in the PTO for twenty years or more.[40]

One of the major advantages of the new twenty-year patent term—and one of the reasons it was pushed by the Japanese companies, who had been involved in ongoing litigation with Jerome Lemelson over many of his submarine patents—is that it weakens or destroys the incentives to engage in submarine patenting. Because each day a patent spends in prosecution under the new law results in one day less protection after the patent issues, applicants have an incentive to move their applications through the PTO as quickly as possible. In the extreme cases, some current patentees would receive no protection at all were the twenty-year term in force.[41] In less extreme cases, patentees simply receive less protection if they delay the application process. Because submarine patents can seriously disrupt an industry and impose significant costs on firms that independently

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[39] *See* Mitsubishi Elec. Corp. v. Lemelson, No. SHCV93-142-LHM (C.D. Cal. complaint filed Feb. 8, 1993).

[40] *Id.* at 10-12 (listing patents).

[41] For example, none of the Lemelson patents discussed above, see *supra* note 39, would have received any protection under the twenty-year term. Further, data reported by the PTO in 1994 indicate that at that time, there were 673 currently pending applications which were filed more than twenty years before. AIPLA BULL., Oct. 1994, at 95 (Biotechnolgy Committee Report). None of those patents would receive new protection under the new law, were the transition rules not in force, unless they qualified for one of the extensions of time.

Property Owners,[48] representatives of the computer and pharmaceutical industries, and several former heads of the PTO,[49] point to the problem of submarine patents and the loss of Japanese concessions under the bilateral agreement. The bill remains pending in Congress.[50]

Important to the debate over the wisdom of the twenty-year term is whether it will help or hurt patentees. If the new term hurts patent-holders, there may be some who oppose it for that reason, notwithstanding its potential beneficial effects on users, subsequent inventors, and the public. On the other hand, if the new term helps patentees on balance, then there is probably no need to *further* enhance patent protection at the expense of the public by restoring the seventeen-year term. Unfortunately, reliable data on the effects of the new law are scarce. In support of his bill, Representative Rohrabacher cited a "study" by a New York law firm that allegedly picked thirty patents at random from the Official Gazette and found that the average pendency period was 6.7 years.[51] If this study is correct, the average patentee will lose more than three years of protection under the new law. By contrast, statistics offered by the PTO itself suggest that the average

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[48] 17 IPO WASHINGTON BRIEF 11 (Aug. 1995).

[49] *Legislation, Patents, supra* note 45.

[50] Teresa Riordan, *Key Change Under GATT Has Enormous Meaning For Strategies to Maximize Patent Protection*, N.Y. TIMES, June 12, 1995, at C2.

[51] Rohrabacher & Crilly, *supra* note 42, at 266; *Bill Would Amend GATT Legislation To Provide 17 or 20 Year Patent Term*, 49 Pat., Trademark & Copyright J. (BNA) 259, 260 (1995).

A. *Data And Analysis*

The data used to test this hypothesis were taken from 2,081 United States utility patents issued on December 27, 1994.[54] This sample represents all the utility patents issued on that date, across subject matter classifications, to avoid biasing the sample in favor of a particular type of invention. The sample does not include design patents, which were not affected by the new twenty-year term.[55] Nor does it include plant patents.[56] Appendix A presents a sample page of the complete data set.[57]

To determine the length of protection afforded under the new Act, I identified the first U.S. filing of the application, or of a parent, grandparent, or other related application to which the patentee claims priority. The new patent law provides that the earliest filing date claimed by the applicant will be the date on which the twenty-year term begins running.[58] That date is listed as the "1st U.S. Filed" column in Appendix A.[59] The length of time a

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[54] The patents studied appear in 1169 OFFICIAL GAZETTE OF THE U.S. PAT. AND TRADEMARK OFF. 2003-2704 (1994). This volume was randomly selected for study purposes. United States Patent numbers 5,375,261 through 5,377,358, inclusive, were studied; readers should note that the PTO does not issue patents for every number. This volume represents the patents issued in one week, or approximately two percent of the number of patents issued each year in the United States. These patents represent a broad cross-section of patents issued in numerous different industries.

[55] Design patents have a 14-year term. 35 U.S.C. § 173 (1988).

[56] Plant patents are protected under two different statutes: the Plant Protection Act, 35 U.S.C. §§ 161-164 (1988) ("PPA"), and the Plant Variety Protection Act, 7 U.S.C. §§ 2321-2582 (1994) ("PVPA"). Plant patents under the PPA are affected by the new term, while PVPA patents are not.

[57] The full data set, numbering approximately 75 pages, is on file with the author.

[58] 35 U.S.C. § 154(a)(2) (1988).

[59] Where the application did not claim priority to an earlier application, the "1st U.S. Filed" column is blank, and the "This App. Filed" column was used as the filing date. Where the application does claim priority to an earlier-filed application, the nature of the application process is indicated in the "Delay Code" column. In that column, "C" represents a continuation application, "CIP" represents a continuation-in-part application to which

In order to compare the effect of the old and new laws, I determined the mean time the patents spent in prosecution, and compared the remaining protection available under the new law with the mean term of protection afforded these patents under the old law. The aggregate data are presented in summary form in Table 1.

Table 1

Summary of Data from the Patent Data Set
Number Sampled: 2081

Category	Statistical Measure	1st U.S. Time (in days)	Patent Length (in days)
All Patents	Average	864	6188
	Median	701	6209
	Maximum Value	8124	6209
	Minimum Value	174	3843
	Standard Deviation	553	137
	95% Confidence Interval +/-	24	6

The mean number of days of patent protection afforded under the old law is 6,188.[61] The mean number of days of patent protection afforded under the new law is 7,305 days (twenty years) minus the mean time in prosecution of 864 days,[62] or 6,441 days.[63] The average patentee therefore receives 253 additional days of protection beyond the old patent term.

In addition, several factors not accounted for in the data suggest that patentees will receive even greater protection under the new law. First, the new law permits the filing of a "provisional application" up to one year

[61] Table 1, "Patent Length" column, "Average" row.

[62] Table 1, "1st U.S. Time" column, "Average" row.

[63] The new law provides for extensions of the patent term beyond twenty years in cases where the application is on appeal or in interference during prosecution. 35 U.S.C.A. § 154(b) (West Supp. 1995). This study has not taken account of these term extensions, which should add to the benefits patentees receive under the new statute.

delay will mean less patent protection for the client.[68] The result in both cases should be that patent pendency times decrease.[69]

Further, the new law provides that patentees whose applications are delayed due to a successful appeal to the Board of Patent Appeals and Interferences or the United States Court of Appeals for the Federal Circuit may extend their patent term to compensate for this delay, up to an additional five years of patent protection.[70] Many Examiner rejections that resulted in the filing of continuation applications under the old law may result instead in appeals under the new law, so that the patentee can take advantage of this extension period.[71]

There is no good way of estimating the cumulative effect of the provisional application, the prompt filing incentive, and the term extension provision. Forced to select a number, I have settled on a net twenty percent reduction in pendency time as a conservative estimate of the cumulative effect of these provisions.[72] Using that number, the pendency time under the new law in the patents studied would be expected to drop from 864 days to 691 days. By this measure, the mean number of days of patent protection afforded under the new law is 7,305 days (twenty years) minus the mean time in prosecution of 691 days, or 6,614 days. The average patentee therefore receives 426 additional days of protection beyond the old patent term under this assumption.

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[68] *See* Burchfiel, *supra* note 7, at 227.

[69] Of course, the time a patent application spends before the Examiner will not decrease because of the new law. Indeed, it is possible that the pendency time in the Examiner's office will even increase, as patent attorneys reduce their own delays and therefore file responses with greater frequency. This is particularly likely in the transition period to the new rule; attorneys will have to contend with an existing backlog of delayed files as well as keeping the new files current. One patent attorney refers to this current time crunch as "being GATTed."

[70] *See* Burchfiel, *supra* note 7, at 227.

[71] *See id.* (suggesting that more applicants will appeal under the new law).

[72] The 20% reduction figure I have selected has been criticized by one reviewer who believes pendency times will not drop that much, and by several reviewers who believe pendency will drop *more* than 20%.

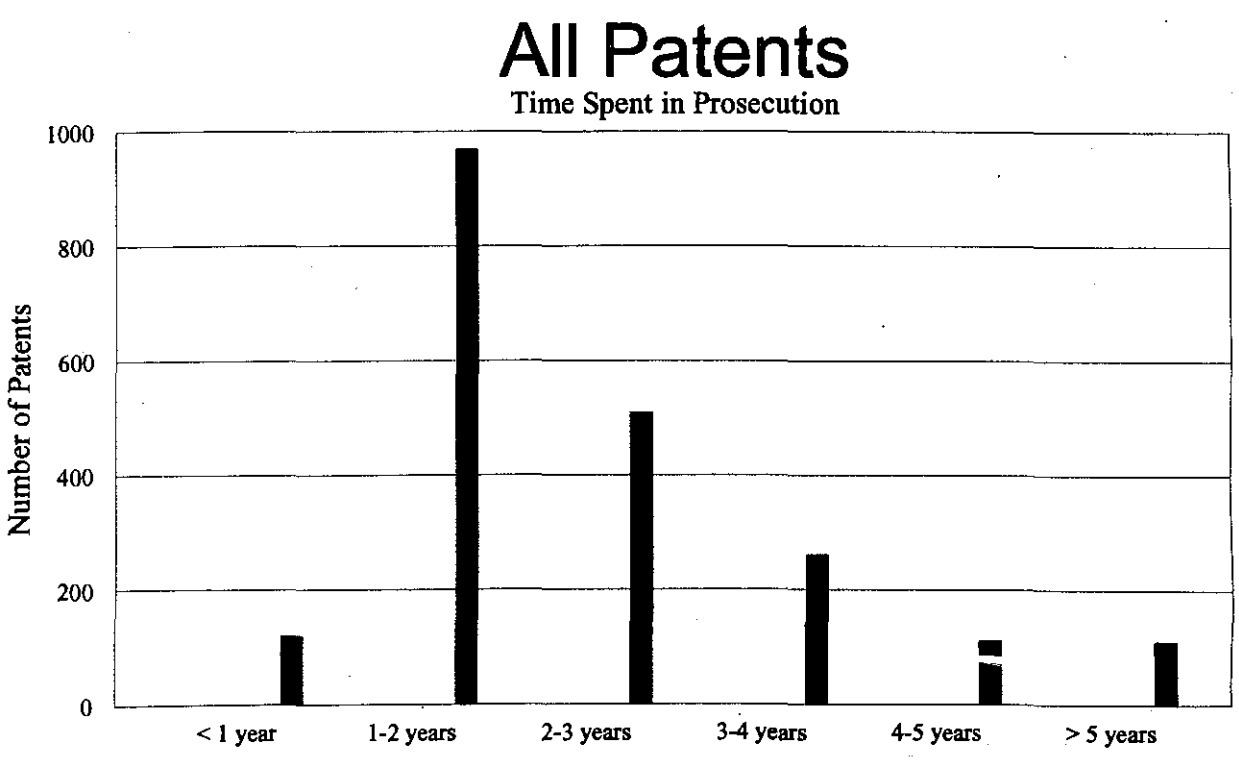
All Patents
Time Spent in Prosecution
Number of Patents
1000
800
600
400
200
0
< 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 1

Out of the total sample of 2,081 patents, 1,598 (or 76.8%) gain patent term under the new law, because they were issued in less than three years. If we apply the estimated twenty percent reduction in pendency time noted above, 1,812 of the 2,081 patents (or 87.1%) would gain term under the new law. Of those patents that do lose patent term, only 110 (or 5.3%) lose more than two years of patent protection. Again, if we apply the estimated twenty percent reduction in pendency time, the number of patents losing two or more years of protection drops to forty-five (or 2.2%). It is evident that the vast majority of patentees in the sample benefit from the new law, and only a small percentage suffer the loss of a significant portion of their patent term.

B. *Submarine Patents*

As noted above,[73] the problem of submarine patents was a major concern of Congress in passing the twenty-year term. I have attempted to estimate the number of patents in the sample that might be considered "submarine" patents. In this Article, I offer one possible proxy for submarine patents—applications that were abandoned and refiled three or more times before issuance. This is *not* a measure of the intention of the patentee. It is impossible to determine *why* a patentee refiled an application repeatedly, particularly over a broad sample size.[74] Rather, I have focused my attention on patents which were delayed during prosecution because of repeated abandonment, regardless of the intent of the patentee.

I have analyzed the 2,081 patents studied to identify the number with these characteristics; the results are presented in Table 3.

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[73] *See supra* note 43 and accompanying text.

[74] Multiple refilings are both over-inclusive and under-inclusive as a means of identifying patentees who intentionally delay prosecution of their patents. Not only may some patentees legitimately abandon and refile several times in the course of prosecution, but some patentees may engage in submarine patenting without having to refile numerous times. I wish to emphasize that I have selected this measure as a statistical proxy for submarine patents, and I do not mean to suggest that any of the patentees in the sample necessarily *intended* to produce submarine patents.

Furthermore, it is evident that the "study" relied upon by Representative Rohrabacher is seriously flawed. A larger sample size suggests that average pendency data are much closer to the numbers offered by the PTO, even when the time measured is considered from the first U.S. filing. Indeed, contrary to the New York study's suggestion that the average pendency time approaches seven years, my data indicates that only 1.5% of all patents spend seven or more years in prosecution,[77] and nearly half of those are suspected "submarine patents."[78] The conclusion that the twenty-year term is bad for patentees in general appears to be unwarranted.

IV. DIFFERENTIAL TREATMENT OF INDUSTRIES

A second claim made by opponents of the twenty-year patent term is that it discriminates against certain industries or classes or patents, because prosecution in those industries or classes takes longer than in other areas. To determine whether this is the case, I have divided the patents studied into industry groups and subgroups, and compared the mean prosecution times within each group. In formal terms, I have tested the following hypotheses as set forth below.

Hypothesis 2a: There is no statistically significant difference between the mean prosecution times for any of the subgroups studied.

Hypothesis 2b: No subgroup is worse off on average under the new law than they were under the old law.

A. *Data And Analysis*

The data set used for this study is the same group of 2,081 patents studied above. I divided the patents by subject matter in two different ways. First, I divided all 2,081 patents issued into one of three categories ("General," "Chemical," and "Electrical"), according to the classification used

[77] Table 3, "Patents Losing (4 + Years of Term)" column, "Totals" row.

[78] As noted above, these conclusions are all statistically significant at the 95% confidence level.

The average time spent in prosecution was 727 days,[80] giving the average patent in the General group a total of 6,578 days of protection under the new law. If the assumption made above regarding reduced pendency times under the new law[81] is applied here, expected prosecution time drops to 582 days, giving the average patent in the General group 6,723 days of protection under the new law.

There were 604 patents within the "Chemical" group. Under the old law, the chemical patents had an average term of 6,168 days.[82] The average time spent in prosecution was 1001 days,[83] giving the average patent in the Chemical group a total of 6,304 days of protection under the new law. If the assumption made above regarding reduced pendency times under the new law[84] is applied here, expected prosecution time drops to 801 days, giving the average patent in the Chemical group 6,504 days of protection under the new law.

There were 603 patents within the "Electrical" group. Under the old law, the electrical patents had an average term of 6,203 days.[85] The average time spent in prosecution was 926 days,[86] giving the average patent in the Electrical group a total of 6,379 days of protection under the new law. If the assumption made above regarding reduced pendency times under the new

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[80] Table 4, "General Patents" group, "1st U.S. Time" column, "Average" row.

[81] *See supra* text accompanying notes 71-72.

[82] Table 4, "Chemical Patents" group, "Patent Length" column, "Average" row.

[83] Table 4, "Chemical Patents" group, "1st U.S. Time" column, "Average" row.

[84] *See supra* text accompanying notes 71-72.

[85] Table 4, "Electrical Patents" group, "Patent Length" column, "Average" row.

[86] Table 4, "Electrical Patents" group, "1st U.S. Time" column, "Average" row.

is considered). Patentees in the "Chemical" category receive an additional 136 days of protection on average[90] (336 days if the assumed drop in pendency time is considered), and patentees in the "Electrical" category receive an additional 176 days of protection on average[91] (361 days if the assumed drop in pendency time is considered).

Further, the data in Table 2 helps to measure the number of patentees in each group who lose significant protection under the new law. Table 2 identifies the number of patents in each group whose patents spend more than x years in prosecution. The distributions set out in Table 2 for these groups are also represented in Figures 3 through 8.

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days shown in Table 4).

[90] Table 4 indicates that with a 95% confidence level, the average real-world patentee in the "Chemical Patents" group will get a *minimum* of 87 additional days of protection (the 136 average additional days of protection, minus the "95% confidence interval" of 49 days shown in Table 4).

[91] Table 4 indicates that with a 95% confidence level, the average real-world patentee in the "Electrical" group will get a *minimum* of 131 additional days of protection (the 176 average additional days of protection, minus the "95% confidence interval" of 45 days shown in Table 4).

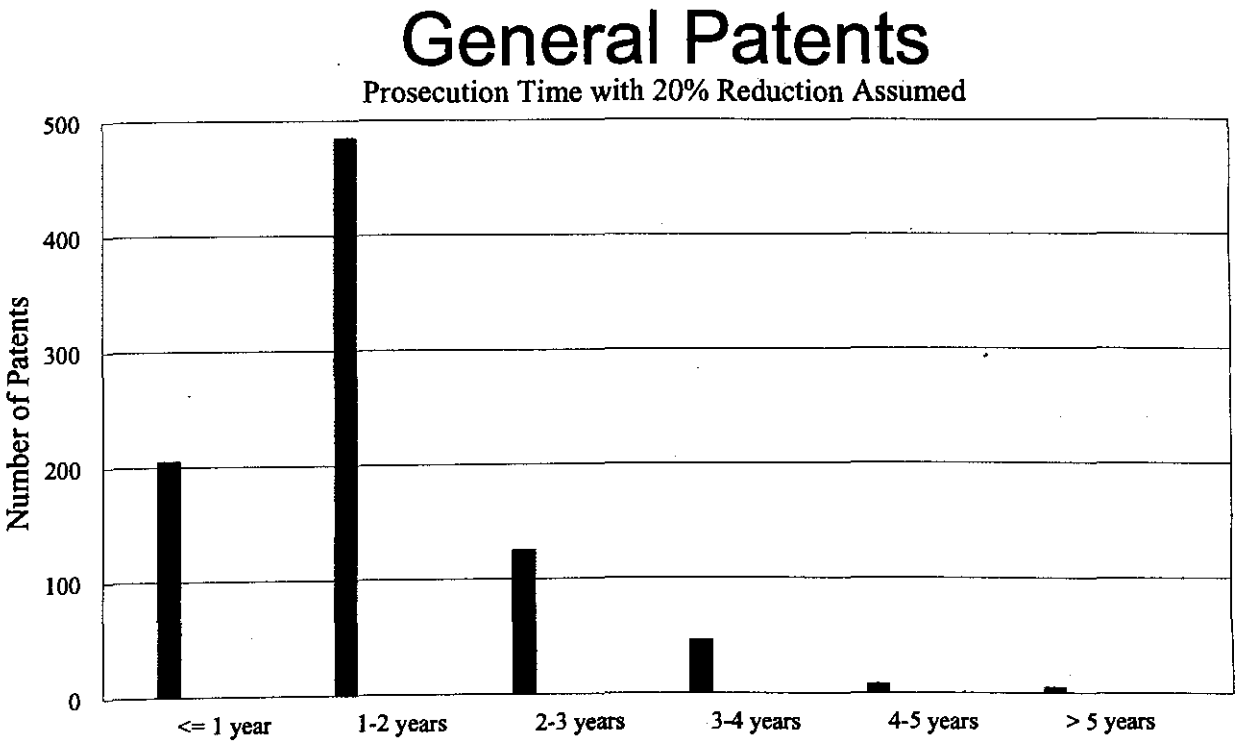
General Patents
Prosecution Time with 20% Reduction Assumed
Number of Patents
500
400
300
200
100
0
<= 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 4

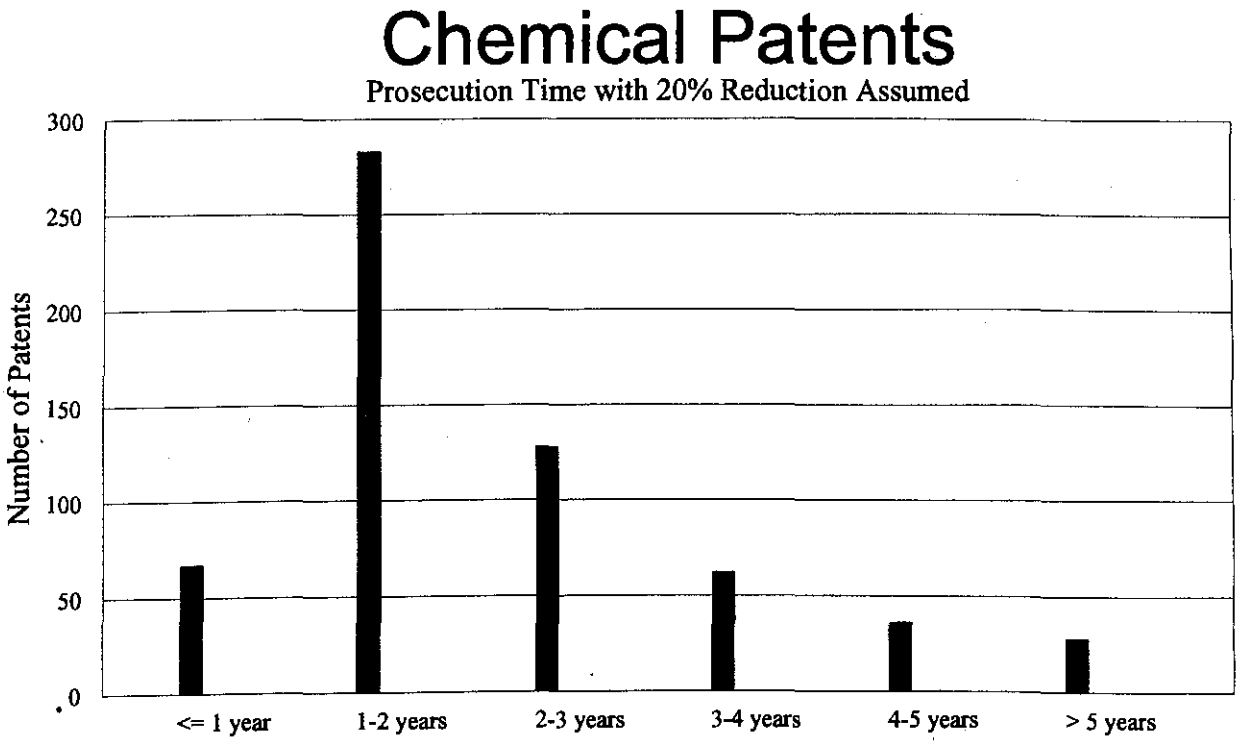
Chemical Patents
Prosecution Time with 20% Reduction Assumed
Number of Patents
300
250
200
150
100
50
0
<= 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 6

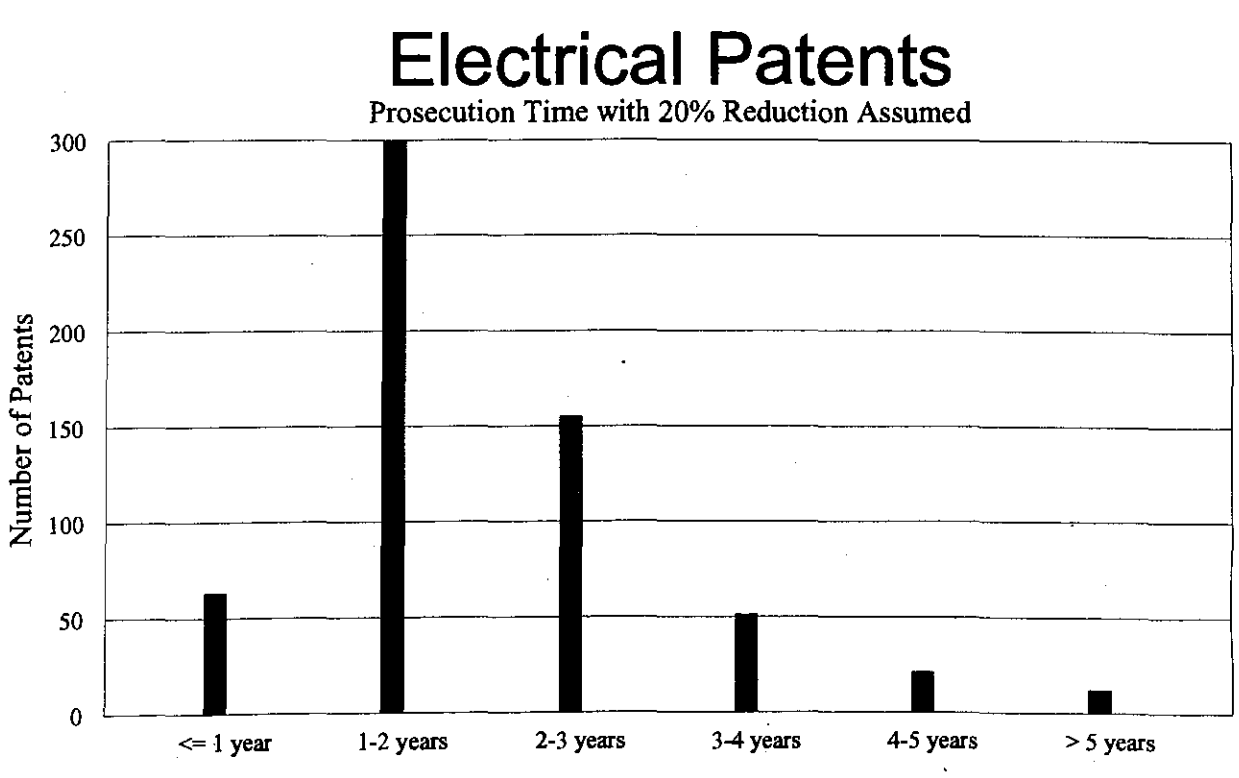
Electrical Patents
Prosecution Time with 20% Reduction Assumed
Number of Patents
300
250
200
150
100
50
0
<= 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 8

The second category of patents for which I tested Hypotheses 2a and 2b are patents in the biotechnology and software industries. Unlike the groups tested above, the PTO does not identify "biotechnology" or "software" patents in any recognizable way. I have reviewed each of the 2,081 patents in the survey, and identified those patents which appear to fit within these two categories.[98] In the sample, I identified twenty-five biotechnology patents[99] and 119 software patents.[100] The summary data for both the biotechnology and software patents appears in Table 6.

[98] This process is necessarily imperfect, and in any event is open to interpretation. The list of patents I have classified in each category is on file with the author. While it is reasonable to expect some disagreement over which particular patents should be included in each group, there is no reason to expect that my choice should systematically bias the data in some way.

[99] In deciding whether to classify a patent as a "biotechnology" patent, I focused on patents relating to the identification, production, or use of gene sequences. I did not include medical devices, medical treatment processes, or pharmaceutical inventions within my definition.

[100] The identification of software patents is complicated by the rather perverse rules regarding patenting software. While software itself is patentable, *see In re* Alappat, 33 F.3d 1526, 31 U.S.P.Q.2d (BNA) 1545 (Fed. Cir. 1994) (en banc), the PTO and the courts have historically required patentees to recite some non-software structure or process as part of the software claim. *See, e.g.*, Diamond v. Diehr, 450 U.S. 175, 209 U.S.P.Q. (BNA) 1 (1981). The result is that most software patents appear in "disguised" form, as devices or methods for accomplishing a particular goal.

In identifying software patents, I limited myself to those patents whose inventive components were implemented in software. I did not include patents which recited significant physical structure limitations apart from a computer or related device, nor did I include inventions relating to semiconductors or integrated circuits.

Under the old law, the software patents had an average term of 6,206 days.[104] The average time spent in prosecution was 1,063 days,[105] giving the average patent in the software group a total of 6,242 days of protection under the new law. If the assumption made above regarding reduced pendency times under the new law is applied here,[106] expected prosecution time drops to 850 days, giving the average patent in the software group 6,455 days of protection under the new law.

Table 7 presents the results of the test of Hypothesis 2a for the division of patents into biotechnology and software groups.

Table 7

Hypothesis Tests for Biotechnology and Software Patents

t-Test at 95% Confidence Level
Reject Hypothesis if: $t < -1.96$ or $t > 1.96$

Hypothesis	s value	t value	Result
(other. x) - (bio. x) = 0	991	-3.79	Reject
(other. x) - (soft. x) = 0	529	-4.44	Reject
(bio. x) - (soft. x) = 0	3758	0.65	Cannot Reject

Comparing the mean prosecution times between these groups and the catchall "other" group of non-software or biotechnology patents, it is evident that both groups of patents will in fact receive significantly different patent terms than other types of patents under the new law.[107] Thus, Hypothesis 2a must be rejected for these patent groups.

Testing the validity of Hypothesis 2b for the biotechnology and software groups is more difficult. This is true for two reasons. First, the

---

[104] Table 6, "Patent Length" column, "Average" row.

[105] Table 6, "1st U.S. Time" column, "Average" row.

[106] *See supra* text accompanying note 72.

[107] Table 7, "t value" column. On the other hand, the data do not allow us to reject the hypothesis that biotechnology patents and software patents have the same average term under the new law.

certain number of years in prosecution. The distributions set out in Table 2 for these groups are also represented in Figures 9 through 12.

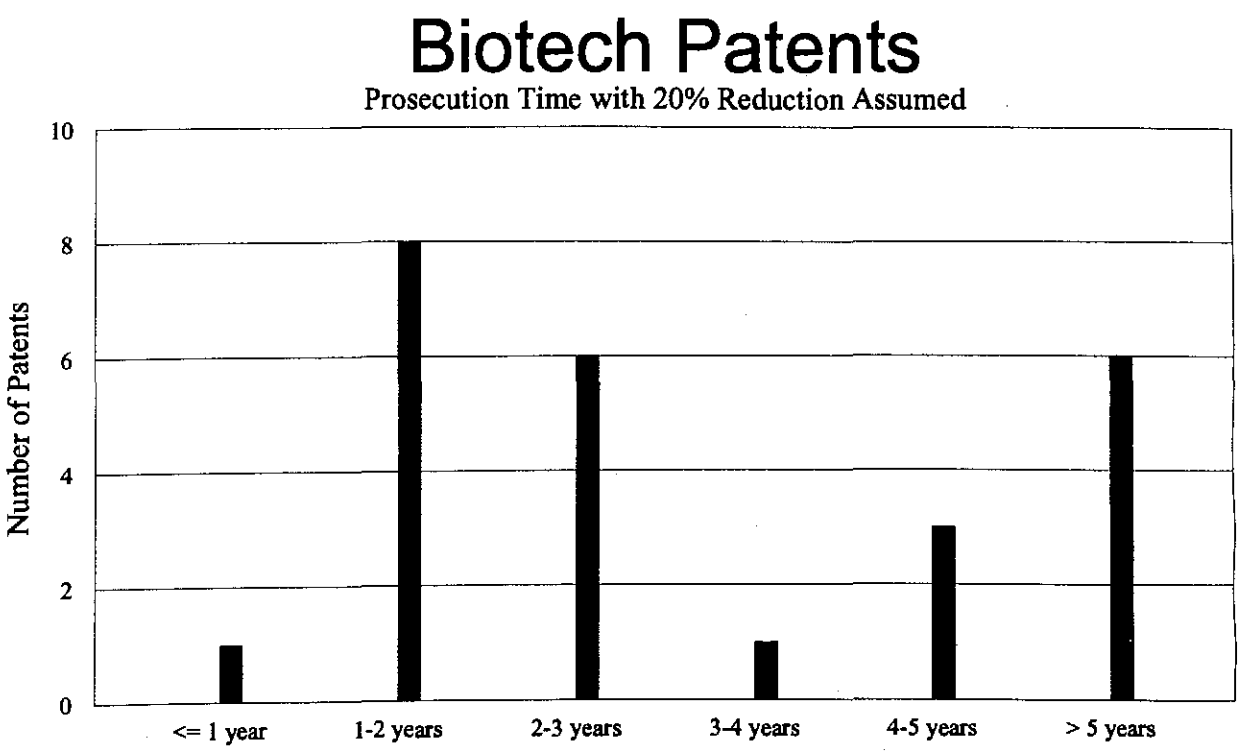
Biotech Patents
Prosecution Time with 20% Reduction Assumed
Number of Patents
10
8
6
4
2
0
<= 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 10

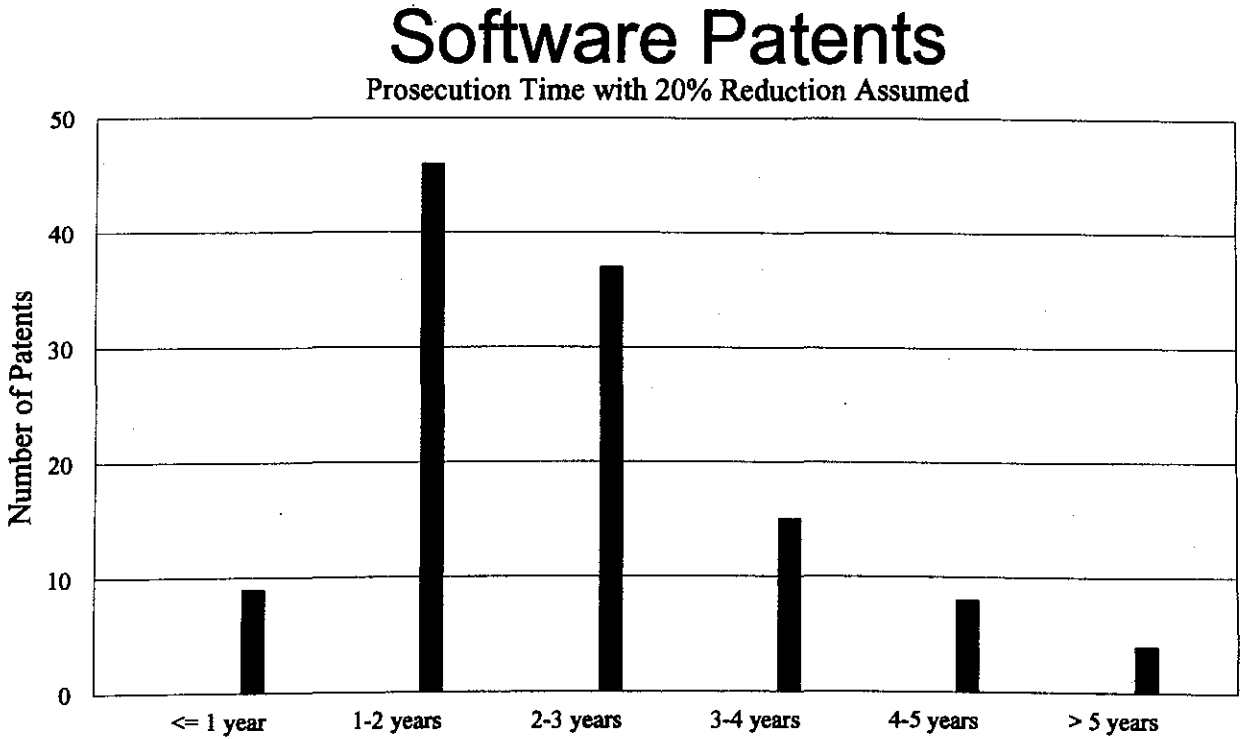
Software Patents
Prosecution Time with 20% Reduction Assumed
Number of Patents
50
40
30
20
10
0
<= 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 12

For chemical patents, under the refiling test, twenty-nine of the 604 patents (4.8%) could be classified as submarine patents. Further, Table 3 indicates that nine of the eighteen chemical patents (50%) that would lose four or more years of protection qualify as submarine patents under this measure.

For electrical patents, under the refiling test, fifteen of the 603 patents (2.5%) could be classified as submarine patents. Further, Table 3 indicates that five of the nine electrical patents (56%) that would lose four or more years of protection qualify as submarine patents under this measure.

For biotechnology patents, under the refiling test, five of the twenty-five patents (20.0%) could be classified as submarine patents. Further, Table 3 indicates that four of the six biotechnology patents (67%) that would lose four or more years of protection qualify as submarine patents under this measure.

For software patents, under the refiling test, two of the 120 patents (1.7%) could be classified as submarine patents. Further, Table 3 indicates that one of the two software patents (50%) that would lose four or more years of protection qualifies as a submarine patent under this measure.

C. *Conclusion*

Critics of the twenty-year patent term are correct that some industries fare better than others under the new law. However, that criticism loses much of its force if it turns out that *everyone* benefits from the new law, and the only question is by how much. With regard to the first division of patents into General, Chemical, and Electrical patents, this does turn out to be the case. None of these groups is disadvantaged under the new law—they are all better off on average than they would be under the old seventeen-year term. Further, a large majority of the patentees in each group gain patent term, and only a small percentage risk losing two or more years of protection.

The question is more difficult to answer with respect to the biotechnology and software industries. If we assume that pendency time will not change as a result of the new law, for both the biotechnology and the software industry, the outcome is indeterminate—that is, it is not possible to predict with reasonable confidence that patentees will be either better or worse off under the new law. If, on the other hand, we make the arguably

whether there is some reason to prefer (or oppose) a patent term which is dependent on prosecution history.

One of the most startling facts to a lay person about the current patent prosecution system is that it is virtually impossible for an Examiner to finally reject an application. Persistent applicants have the ability under PTO rules to amend their applications, and to abandon and refile continuation (or continuation-in-part) applications, as many times as it takes to get the patent issued.[121] Further, since patent Examiners have a limited amount of time to spend on each application, and since they are rewarded based on the number of files they finish processing,[122] there is an obvious incentive for Examiners to allow rather than reject questionable applications in order to get the application off their desk.

As a result of the structure of the PTO examination system, therefore, it might be reasonable to hypothesize that patents with a long prosecution history are of dubious validity—that they result from wearing the Examiner down rather than from an Examiner's change of heart about patentability. I have therefore tested the following hypothesis.

Hypothesis 3a: Patents with a long prosecution history are more likely to be found invalid in litigation than patents with a short prosecution history.

Of course, for every argument in law there is a counter-argument. In this case, the counter-argument stems from the deference shown to the PTO by judges and juries during litigation over a patent's validity.[123] It is

---

[121] *See* Martin, *supra* note 33, at 14-16 (discussing the practice of abandonment even after allowance, and giving examples); *see also* 35 U.S.C. § 132 (1988) (providing for reexamination of applications after rejection by Examiner).

[122] Martin, *supra* note 33, at 12-14; Simson L. Garfinkel, *Patently Absurd*, WIRED, July 1994, at 105.

[123] Deference is compelled by the patent statute. 35 U.S.C. § 282 (1988). The presumption of patent validity can be overcome only by clear and convincing evidence. *E.g.*, Intel Corp. v. USITC, 946 F.2d 821, 829, 20 U.S.P.Q.2d (BNA) 1161, 1168 (Fed. Cir. 1991); *accord* Greenwood v. Hattori Seiko Co., 900 F.2d 238, 241, 14 U.S.P.Q.2d (BNA) 1474, 1476 (Fed. Cir. 1990).

through September 1994.[126] For each litigated patent, I then compiled prosecution history data identical to that used in Parts III and IV above. A sample data page is presented in Appendix B.[127]

The results of this study are presented in Table 8.

[126] Vols. 10-31 U.S.P.Q.2d, inclusive. Because 29 U.S.P.Q.2d was unavailable to the author at the time of this study, cases from that volume are not included. However, there is no reason to believe that this omission should prejudice the results of the study in any way.

In each case, only the last judgment regarding validity was tabulated. Thus, if a patent was held invalid by the district court, but found valid on appeal, only the latter determination is included in the study.

[127] The full data set, numbering approximately seven pages, is on file with the author.

rate than demonstrated in pre-1982 studies,[128] and is consistent with the thesis that the creation of the Federal Circuit in 1982 had the effect of making the law more favorable to patentees.[129]

Second, it is evident that the patents tested in this portion of the study spent significantly more time in the Patent Office than the patents studied in Section III. The mean time in prosecution for the 2,081 patents studied in Section III was 864 days.[130] By contrast, the mean time in prosecution for the 197 litigated patents was 1,274 days, a period nearly 50% longer. Thus, it appears that for some reason, litigated patents had a much longer prosecution period than average (and thus would receive less protection than average under the new law).

B. *Conclusion*

There is no significant relationship between the length of time a patent spends in prosecution and whether or not it is found valid in court. Hence, both Hypothesis 3a and 3b must be rejected.

The patents litigated between 1989 and 1994 spent significantly more time in prosecution on average than did the group of patents issued in December 1994. There are at least two possible explanations for this. First, it may be that the PTO has significantly reduced the time it takes to get a patent issued between the early 1980s (when most of the litigated patents were issued) and 1994 (when the patents studied in Sections III and IV were issued). Alternatively, it may be that those applications the patentee considers "important"—because they are likely to result in litigation—are

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[128] For example, pre-1982 data indicate that the regional courts of appeals found only about 35% of patents valid on appeal. Karen G. Bender et al., *Patent Decisions of the United States Court of Appeals for the Federal Circuit: The Year 1985 in Review*, 35 AM. U. L. REV. 995, 997 (1986); *see also* Donald R. Dunner, *The United States Court of Appeals for the Federal Circuit: Its First Three Years*, 13 AIPLA Q.J. 185, 186 (1985).

[129] *See* Robert P. Merges, *Commercial Success and Patent Standards: Economic Perspectives on Innovation*, 76 CAL. L. REV. 803, 820-21 (1988); Dunner, *supra* note 128, at 186-87; Appendix A hereto (in its first three years, the Federal Circuit found 53.6% of patents valid on appeal).

[130] *See supra* text accompanying note 62.

Appendix A
Sample Page from the Patent Data Set

C:\DATA\PATIME.WK3

03/05/95 TYPE	PATENT	THIS APP FILED	FORGN FILED	1ST US FILED	DELAY CODE	DISCL DATE	ISSUE DATE	THIS TIME	FORGN TIME	1ST US TIME	EARL- IEST	PATENT LENGTH	DCI #	
ELEC	5377016	04/07/93		10/10/90	C		12/27/94	629	629	1539	1539	6209	358-403	
ELEC	5377017	03/31/92					12/27/94	1001	1001	1001	1001	6209	358-405	
ELEC	5377018	06/22/92					12/27/94	918	918	918	918	6209	358-433	S
ELEC	5377019	12/01/92	12/02/91				12/27/94	756	1121	756	1121	6209	358-464	
ELEC	5377020	05/28/92					12/27/94	943	943	943	943	6209	358-456	S
ELEC	5377021	12/11/91	12/13/90				12/27/94	1112	1475	1112	1475	6209	358-462	
ELEC	5377022	12/29/93					12/27/94	363	363	363	363	6209	358-498	
ELEC	5377023	01/30/90	02/02/89				12/27/94	1792	2154	1792	2154	6209	358-500	S
ELEC	5377024	05/04/92					12/27/94	967	967	967	967	6209	358-502	S
ELEC	5377025	11/24/92					12/27/94	763	763	763	763	6209	358-518	S
ELEC	5377026	09/02/92					12/27/94	846	846	846	846	6209	359-40	
ELEC	5377027	10/02/92					12/27/94	816	816	816	816	6209	359-48	
ELEC	5377028	01/06/94	10/01/90	09/27/91	C		12/27/94	355	1548	1187	1548	6209	359-53	
ELEC	5377029	10/08/92	10/16/91				12/27/94	810	1168	810	1168	6209	359-54	
ELEC	5377030	03/26/93	03/30/92				12/27/94	641	1002	641	1002	6209	359-52	
ELEC	5377031	08/18/93		01/18/91	D+(3)CIPS	S	12/27/94	496	496	1439	1439	6209	359-59	
ELEC	5377032	02/05/93					12/27/94	690	690	690	690	6209	359-62	
ELEC	5377033	01/13/94		01/17/92	C		12/27/94	348	348	1075	1075	6209	359-75	
ELEC	5377035	09/28/93					12/27/94	455	455	455	455	6209	359-156	
ELEC	5377036	12/10/92					12/27/94	747	747	747	747	6209	359-216	
ELEC	5377037	11/06/92					12/27/94	781	781	781	781	6209	359-265	
ELEC	5377038	12/26/91	12/29/90				12/27/94	1097	1459	1097	1459	6209	359-205	
ELEC	5377039	02/05/93					12/27/94	690	690	690	690	6209	359-265	
ELEC	5377040	11/27/91	11/27/90				12/27/94	1126	1491	1126	1491	6209	359-494	
ELEC	5377041	10/27/93					12/27/94	426	426	426	426	6209	358-518	S
ELEC	5377042	12/20/93		12/31/86	C+C		12/27/94	372	372	2918 S	2918	6209	359-241	
ELEC	5377043	07/08/93		05/11/92	C		12/27/94	537	537	960	960	6209	359-326	
ELEC	5377044	02/17/94	03/19/90	03/08/91	C+C+C	S	12/27/94	313	1744	1390	1744	6209	359-566	
ELEC	5377045	09/24/93		05/10/90	C+CIP		12/27/94	459	459	1692	1692	6209	359-585	

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GATT/TRIPS: A RESPONSE FROM THE UNITED STATES PATENT AND TRADEMARK OFFICE

Lois E. Boland[*]

I. INTRODUCTION 426
II. THE PATENT AND TRADEMARK OFFICE RESPONSE 427
A. *The Van Horn Article*—Practicalities And Potential Pitfalls When Using Provisional Patent Applications .. 427
1. Benefit Of Provisional Application Filing Date . 427
2. Requirements Of Filing 431
3. Differences From Other Patent Applications ... 432
4. Benefits Of Using A Provisional Application ... 433
B. *The Irving And Lewis Article*—Proving The Date Of Invention And Infringement After GATT/TRIPS 435
1. Interference Practice 435
2. Record Keeping 437
C. *The Lemley Article*—An Empirical Study Of The Twenty-Year Patent Term 438
III. MISCELLANEOUS ISSUES 440
A. *The Rohrabacher/Dole Bills* 440
B. *Effective Date Of Patent Term Provisions* 443
C. *Date-Specific Terminal Disclaimers* 445
D. *Provisional Applications And 35 U.S.C. § 102(e)* 446
IV. CONCLUSION 448

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[*] © 1995 Lois E. Boland. Mrs. Boland is a Legislative and International Intellectual Property Specialist in the Office of Legislative and International Affairs at the Patent and Trademark Office ("PTO"). The views expressed in this paper are those of the PTO. The author gratefully acknowledges the extensive contributions of many individuals at the PTO, including J. Michael Thesz, John T. Gonzales and Magdalen Greenlief, all from the Office of the Assistant Commissioner for Patents, and John Martin of the Board of Patent Appeals and Interferences.

II. THE PATENT AND TRADEMARK OFFICE RESPONSE

A. *The Van Horn Article*—Practicalities And Potential Pitfalls When Using Provisional Patent Applications

The Van Horn article discusses in great detail the substantive and procedural aspects of filing provisional applications, as well as other matters relating to their use. The comments that follow are intended to supplement and/or respond to that discussion. They are presented in the order that the issues are developed in the Van Horn paper.

For additional information on provisional applications, the discussion and comments/responses in the final rule for the implementation of the twenty-year patent term and provisional applications should be consulted.[5] Further, the PTO's "Questions and Answers regarding the GATT Uruguay Round and NAFTA Changes to U.S. Patent Law and Practice" includes a section on provisional applications.[6]

1. Benefit Of Provisional Application Filing Date

The Van Horn article notes that if the last day of the twelve-month period for filing a nonprovisional patent application based upon the filing of a provisional application falls on a Saturday, Sunday, or Federal holiday within the District of Columbia, one would be well advised, notwithstanding the provisions of 35 U.S.C. § 21(b), to docket the filing of the nonprovisional application in advance of that last day.[7] The PTO agrees with this position.

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[5] 60 Fed. Reg. 20,197 (Apr. 25, 1995) (to be codified at various sections of 37 C.F.R.)

[6] PATENT AND TRADEMARK OFFICE, QUESTIONS AND ANSWERS REGARDING THE GATT URUGUAY ROUND AND NAFTA CHANGES TO U.S. PATENT LAW AND PRACTICE (1995) [hereinafter QUESTIONS AND ANSWERS].

[7] Van Horn, *supra* note 2, at 265.

There is a solution to this so-called "last day trap."[14] If enacted in its present form, H.R. 1733 would provide that "[i]f the day that is 12 months after the filing date of a provisional application falls on a Saturday, Sunday, or Federal holiday within the District of Columbia, the period of pendency of the provisional application shall be extended to the next succeeding secular or business day."[15] Accordingly, if such a provision were to become law, there would be no need to file a nonprovisional application in advance of the date of abandonment of a provisional application to the extent that date falls on a Saturday, Sunday, or Federal holiday within the District of Columbia. The filing of the nonprovisional application on the next succeeding secular or business day would be adequate to preserve copendency and support a proper 35 U.S.C. § 119(e) claim in the nonprovisional application.

On the issue of naming inventors in provisional applications, it is worthwhile to note that the only requirement is that if a person is named as an inventor, that person must have made a contribution to the subject matter disclosed in the provisional application.[16] There is no requirement to name all those who have made contributions to the subject matter disclosed in the provisional application. Once a nonprovisional application is filed, the appropriate inventors for that nonprovisional application must then be named, and in order to obtain the benefit of the earlier filed provisional application, there must be at least one inventor in common between the two applications.[17] If there is not at least one inventor in common between the two applications, a relatively simple petition, complying with the "applicable" regulatory requirements,[18] can be filed to rectify the situation.

On the issue of identifying the relationship (continuation or continuation-in-part) between a nonprovisional and provisional application,

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[14] H.R. 1733, 104th Cong., 2d Sess. (1995).

[15] *Id.*

[16] Response to comment 30, 60 Fed. Reg. 20,198, 20,208 (1995).

[17] 35 U.S.C.A. § 119(e)(1) (West Supp. 1995).

[18] 60 Fed. Reg. 20,198, 20,222 (Apr. 25, 1995) (to be codified at 37 C.F.R. § 1.48(d)).

application for a right of priority or benefit of an earlier filing date.[22] The result, however, will be the same in that each application must satisfy the best mode requirement for that filing, but there would be no comparison of best modes among the serially-filed provisional applications. Therefore, there is no updating, per se, of best mode among the provisional applications.

The Van Horn article makes reference to a commentator who has expressed reservations about the potential prior art effect of a provisional application.[23] Van Horn's remarks are very helpful in settling this issue. A full rebuttal to the issues raised by that commentator is included in Part III, below.

2. Requirements Of Filing

Van Horn notes that in the instance in which no inventor is named in a provisional application, a Notice of Incomplete Application will be sent to the given correspondence address providing a period of time to identify an inventor. This treatment is the same as that accorded nonprovisional applications. While the filing date assigned to the provisional application will be the date the name of an inventor is submitted, a petition under 37 C.F.R. § 1.182 may be filed requesting as the filing date, the date on which the specification and any required drawing are received in the PTO.[24]

The Van Horn article states that formal requirements for drawings in a nonprovisional application need not be observed in a provisional application and that informal drawings are sufficient.[25] The PTO agrees with these statements and a discussion of this issue can be found in Comments 75 and 76 in the final rule package to implement the twenty-year patent term and provisional applications.[26]

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[22] 35 U.S.C.A. § 111(b)(7) (West Supp. 1995).

[23] Van Horn, *supra* note 2, at 278.

[24] 35 U.S.C.A. § 111(b)(4) (West Supp. 1995).

[25] Van Horn, *supra* note 2, at 282.

[26] 60 Fed. Reg. 20,198, 20,213 (1995).

of the filing date of the provisional application and in which 37 C.F.R. § 1.60 procedures were mistakenly used to file a nonprovisional application based on the provisional application.

It is likely that relief would be available for the situation in which 37 C.F.R. § 1.60 procedures were mistakenly used to file a nonprovisional application making reference to an earlier filed provisional application. The presence of claims in the provisional application is critical to this result. The result is somewhat uncertain in the situation in which a nonprovisional application is filed more than twelve months after the filing date of a provisional application. The disposition of a 37 C.F.R. § 1.182 petition to convert the provisional application to a nonprovisional application in this situation would, of course, be decided on the merits of the individual case.[29] Grant of the petition would result in a pending nonprovisional application having a filing date of the provisional application. The term of any patent granted on this newly converted nonprovisional application or the originally, subsequently filed nonprovisional application, with an appropriately amended reference to the newly converted provisional application, would be truncated as a result of the applicant's own actions.

While the conversion may be necessary for reasons that may inure to the benefit of the applicant, it cannot be said that the conversion would benefit the applicant in all respects. It may be that the petition process would result in the conversion of the originally filed provisional application into a nonprovisional application as of the filing date of the petition. Again, the presence of claims in the originally filed provisional application is critical to the resolution of these hypothetical situations. For the record, there does not appear to be anything in the controlling statutes that would bar the grant of such conversions. Any latitude or discretion would be injected into the decision-making process by the terms of 37 C.F.R. § 1.182.

4. Benefits Of Using A Provisional Application

Van Horn notes that a provisional application provides greater benefits than the Disclosure Document Program ("DDP").[30] This is an

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[29] 37 C.F.R. § 1.182 (1993).

[30] Van Horn, *supra* note 2, at 303.

application is entitled to claim the benefit of a previously filed provisional application under 35 U.S.C. § 119(e), the grace period would be measured from the provisional application filing date. As an example, assume that there was a patent-defeating event on July 1, 1995. If an inventor files a provisional application in June 1996 and a nonprovisional application in May 1997, the grace period would shield the inventor from the effects of the otherwise patent defeating event.

B. *The Irving And Lewis Article*—Proving The Date Of Invention And Infringement After GATT/TRIPS

The Irving and Lewis article discusses the substantive and procedural aspects of the amendments to 35 U.S.C. § 104 and the new infringement provisions that are initially introduced in 35 U.S.C. § 154. The comments that follow are intended to supplement and respond to that discussion. They are presented in the order that the issues are developed in the Irving and Lewis article. The PTO has no comments or responses to the portion of the Irving and Lewis article that is dedicated to a discussion of patent infringement matters.

For additional information on the changes that have been made to implement the amendments to 35 U.S.C. § 104, the final rule should be consulted.[33] Further, the PTO's "Questions and Answers regarding the GATT Uruguay Round and NAFTA Changes to U.S. Patent Law and Practice" includes a section on the section 104 changes.[34]

1. Interference Practice

In the context of the effect of the statutory changes on interference practice, Irving and Lewis discuss a hypothetical involving a domestic inventor who filed a United States application on July 10, 1997, and a foreign company that filed a foreign priority application on August 1, 1997 followed by a United States application on August 1, 1998.[35] It is assumed that both United States applications claimed the same patentable invention. Irving

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[33] 60 Fed. Reg. 14,521 (1995).

[34] QUESTIONS AND ANSWERS, *supra* note 6.

[35] Irving and Lewis, *supra* note 3, at 317.

as part of the recent amendments to the interference rules.[40] Cross-examination of foreign affiants is to be by deposition at a reasonable location in the United States,[41] except in an unusual circumstance and upon a showing that the testimony cannot be taken in that manner.[42]

2. Record Keeping

In the context of record-keeping, the discussion of 37 C.F.R. § 1.67(f)[43] includes an incorrect quote from that rule. It should read: "The significance of documentary and other exhibits identified by a witness in an affidavit or during oral deposition shall be discussed with particularity by a witness."[44] The sentence following the quotation should be amended accordingly.

In the context of record-keeping and corroboration, Irving and Lewis state that "[t]he witness [to a document] should be someone who is at least familiar with the work being conducted by the inventor and has read and understood the document.[45] It may be worth noting that it is not always necessary for the witness to understand the contents of the document.[46]

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[40] *See* Patent Appeal and Interference Practice: Final Rule, 60 Fed. Reg. 14488, 14489, 14,534 (1995); 1173 OFF. GAZATTEER PAT. & TRADEMARK OFF. 36, 37, 77 (Apr. 11, 1995).

[41] 60 Fed. Reg. 14,531 (to be codified at 37 C.F.R. § 1.672(d)).

[42] *Id.*

[43] Irving and Lewis, *supra* note 3, at 335.

[44] 37 C.F.R. § 1.671(f) (1994).

[45] Irving and Lewis, *supra* note 3, at 340.

[46] Price v. Symsek, 988 F.2d 1187, 1195, 26 U.S.P.Q.2d (BNA) 1031, 1037 (Fed. Cir. 1993).

assumptions set forth in the Lemley study on terminally disclaimed patents.[50] The data for new patent term calculations did not include, among other things, extensions for appeals or interferences. This assumption, though compensated for by an additional new law term calculation in which a pendency reduction of twenty percent was factored in all results, may account for the somewhat equivocal results in the high-technology areas of biotechnology and software-related patents where the incidence of appeals is higher than the general population of applications. Recent statistics indicate that the incidence of appeals for all applications is about 2.7 percent, whereas the incidence of appeals in Group 1800 is 3.3 percent, in Group 2300 is 4.4 percent, and in Group 2400 is 4.8 percent.[51]

In his description of the new patent term provisions, Lemley fails to acknowledge the ability to file a nonprovisional application, then commence prosecution and convert that application to a provisional application, then file a new nonprovisional application to pick-up where the previous prosecution left off. This mechanism may save up to a year in prosecution time in the patent ultimately granted upon the second filed, nonprovisional application, and extend the term of that granted patent by a corresponding amount, relative to the term available without the conversion. Further, the new law may change incentives among applicants and patent practitioners by encouraging them to streamline every aspect of patent prosecution. Lemley mentions many of these factors.[52] The new law's built-in incentive to appeal adverse determinations from examiners, taking advantage of the term extensions available under the new system for successful appeals, may have a dramatic effect on future pendency statistics. Under the old patent term provisions, many applicants and practitioners developed the habit of routinely filing continuing applications to pursue the prosecution of inventions as opposed to filing appeals to settle issues of patentability.

In general, the Lemley study provides a very positive analysis of the prospects for patent terms in the future. His study should be helpful to counter some of the arguments of the supporters of the Rohrabacher/Dole bills.

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[50] Lemley, *supra* note 4, at 384 n.60.

[51] PTO, *Biweekly Time and Activity Corps Summary Report for Pay Period 9523* (Aug. 21, 1995).

[52] Lemley, *supra* note 4, at 385-87.

patent term. Further, the URAA provides for the extension of the term of patents for up to five years where delays have been caused by appeals, interferences or national security restrictions. In these respects, many of the concerns of the proponents of the Rohrabacher/Dole bills are fully addressed in the new patent term system.

The changes brought about by the URAA were strongly supported by a broad cross-section of our patent user community. Public hearings, held in October 1993 on the issue of the adoption of a twenty-year patent term measured from the application filing date, revealed wide support for such a change.[58] At the hearings, fourteen people provided oral testimony on the issue—no one opposed, in its entirety, the concept of measuring patent term from the application filing date. Twenty people provided written statements only on the issue.[59] Only three people opposed the concept.[60] Thus, only three out of thirty-four people or organizations providing comments were opposed to measuring patent term from application filing date.[61] Those not opposed included representatives of inventor's groups and small entity patent applicants.[62] Further, every major intellectual property bar association, the National Association of Manufacturers, the Pharmaceutical Research and Manufacturers of America, and others, supported this change.[63]

The PTO believes that the changes proposed by the Rohrabacher/Dole bills are unnecessary and undesirable. The changes are unnecessary because their goal—patents that provide at least seventeen years of exclusive rights—will be met or exceeded by the new twenty-year patent term system. The changes are undesirable because they will permit

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[58] Transcript and Written Submissions for Harmonization Hearings, pursuant to Request for Comments on Patent Law Harmonization, 58 Fed. Reg. 44,323 (1993).

[59] *Id.*

[60] *Id.*.

[61] *Id.*

[62] *Id.*

[63] *Id.*

19.5 years of patent protection for any patent applicant, in any field of technology, regardless of the pendency of the individual patent application. The ability to obtain up to 19.5 years of patent protection would result in a dramatic improvement in our patent system. The Rohrabacher/Dole changes would pale by comparison.

Many proponents of the Rohrabacher/Dole bills are attracted to those bills because of their so-called "guarantee" of a patent term of seventeen years from grant. Simple arithmetic, in light of the above discussion, dictates that their support is badly misplaced. There is no mistaking the fact that 19.5 years of patent rights are, and always will be, greater than 17 years of patent rights. The supporters of the Rohrabacher/Dole bills should reconsider their devotion to the seventeen-year patent term "guarantee."

The current Administration and the PTO are on record in support of early publication.[64] A bill has been introduced in the House of Representatives to effect the necessary legislative changes.[65] A corresponding Senate bill should be introduced in the near future. The House bill also addresses some concerns about the patent term provisions of the URAA and expands the grounds for and maximum duration of extensions arising from delays in the granting process. The PTO does not oppose these additional provisions of H.R. 1733. It is the Administration's and the PTO's fervent desire to have early publication legislation in place and in effect as of January 1, 1996. In so doing, the U.S. patent system will be significantly improved and the concerns of the proponents of the Rohrabacher/Dole bills will be laid to rest.

B. *Effective Date Of Patent Term Provisions*

Certain commentators have questioned the PTO's interpretation of the effective date provisions of the URAA as they relate to the patent term

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[64] Hearings on H.R. 1732 and H.R. 1733 Before the Subcomm. on Courts and Intell. Prop. of the House Comm. on the Judiciary, 104th Cong., 1st Sess. (June 8, 1995) (statement of Bruce A. Lehman, Commissioner of Patents and Trademarks).

[65] *See* H.R. 1733, 104th Cong., 2d Sess. (1995).

that takes into account, with no exceptions, earlier filed applications. Accordingly, the effective date provisions in section 534 of the URAA are subject to an interpretation that supports the accepted view that all of the patent term provisions went into effect on June 8, 1995.

C. *Date-Specific Terminal Disclaimers*

Questions have been raised regarding the effect of a terminal disclaimer on the term of a patent that is entitled to the longer of a seventeen or twenty-year patent term as a result of the operation of new 35 U.S.C. § 154(c). The following scenario is illustrative.[69] Assume that there are two patents. Patent A was issued in eighteen months and received a seventeen-year patent term. Under the seventeen or twenty-year provision in section 154(c), the patent term would essentially be 18.5 years after the original patent date. Patent B was issued after patent A with a terminal disclaimer that stated the terminal portion of the term of this patent is disclaimed beyond the full statutory term of patent A. What is the effect on the patent term of patent B? Patent B would be entitled to the difference between seventeen or twenty-year patent term for the underlying patent A, which would be eighteen months in the example unless patent B would not have been entitled to eighteen months based on the difference between the terminally disclaimed seventeen-year and twenty-year patent term as to patent B. Note that there are two limitations here—the term of the underlying patent and the term of the patent containing the terminal disclaimer. The terminal disclaimer was addressed in this example was linked to the full statutory term of the underlying patent A. A different result is possible if the terminal disclaimer was couched in terms disclaiming a terminal portion of the patent beyond a specific date.

Recourse for applicants/patentees who have date-specific terminal disclaimers in applications and/or patents eligible for extension under the 17/20 provision may, as noted above, be limited. Petitions have been filed in some of these applications/patents to change the terminal disclaimer language. A likely result is that the petitions filed in issued patents will not be granted and the petitions filed in pending applications will be granted. If a non-date-specific terminal disclaimer was used by an applicant and the PTO printed date-specific language on the front of a patent, a certificate of correction may be used to correct the language in the patent.

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[69] QUESTIONS AND ANSWERS, *supra* note 6, at 20-21.

language of 35 U.S.C. §102(e) and how that language relates to the new language in 35 U.S.C. §§ 111 and 119. If other conditions and/or limitations of the *Milburn* decision were critical, they would have been likewise incorporated in 35 U.S.C. § 102(e).

A provisional application is "an application for patent,"[75] in the sense of 35 U.S.C. § 102(e), because the statute says so. Section 111(b)(1) explicitly introduces the concept of a provisional application as "[a] provisional application for patent."[76] Accordingly, there can be no doubt that 35 U.S.C. § 102(e) embraces provisional applications.

On the issue of whether the 35 U.S.C. § 102(e) requirement that "the invention was described in a *patent granted on an application for patent*"[77] is satisfied by the 35 U.S.C. § 111(b) to 35 U.S.C. § 111(a) *via* a claim for priority under 35 U.S.C. § 119(e) process that has been established, it should be noted that the use of the filing date of earlier filed U.S. applications in later granted applications, via 35 U.S.C. §§ 120 and 121, as the applicable 35 U.S.C. § 102(e) date, is not the subject of any controversy. The attempt to inject controversy on this basis into the provisional application filing scheme is without merit.

The PTO takes no issue with the commentator's interpretation of the *Wertheim*[78] decision as it might apply to the use of provisional applications. The PTO would apply it in the same manner to a patent granted on a 35 U.S.C. §111(a) application that had no support for the claimed invention in the provisional application.

The commentator's statement that "as a practical matter," foreigners will not file provisional applications[79] has been totally rebutted by statements to this author by practitioners, both domestic and foreign, that they will, as a matter of course, file provisional applications in the United States simultaneously or a few days after foreign filings (with no reference to the

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[75] 35 U.S.C. § 102(e) (1988).

[76] 35 U.S.C.A. § 111(b)(1) (West Supp. 1995).

[77] 35 U.S.C. § 102(e) (1988) (emphasis added).

[78] *In re* Wertheim and Mishkin, 209 U.S.P.Q. (BNA) 554 (C.C.P.A. 1981).

[79] Patch, *supra* note 70, at 345.

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HOW WILL EXISTING LICENSE AGREEMENTS BE AFFECTED BY EXTENDED PATENT TERMS UNDER GATT?

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I. INTRODUCTION 450
II. EXTENSION OF THE TERMS OF EXISTING PATENTS UNDER GATT/TRIPS 451
III. WHAT IS THE EFFECT OF THE PATENT TERM EXTENSION ON EXISTING LICENSES? 452
IV. NINETEENTH CENTURY CASE LAW HOLDS THAT A PATENT LICENSE THAT DOES NOT EXPRESSLY COVER EXTENSIONS TERMINATES ON THE DATE WHEN THE PATENT WOULD HAVE EXPIRED 453
V. DOES THE RULE OF *WILSON V. ROUSSEAU* APPLY TO PATENT TERM EXTENSIONS UNDER GATT/TRIPS? 459
VI. BALANCING THE RIGHTS AND OBLIGATIONS OF PATENTEES AND "INVESTED INFRINGERS" UNDER 35 U.S.C. §§ 154(C)(2) AND (3) ... 461
VII. CONCLUSION 463

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carefully consider the potential impact of these cases on their licensing transactions.

If the policy rationale and analysis underlying this ancient precedent are found to apply equally to today's GATT-based patent extensions, then most licensees will become unlicensed infringers during any extended patent term. The apparent harshness of this result would be ameliorated by the TRIPS legislation, which severely restricts the remedies available to the patent owner in such a scenario. Several infringement remedies, including injunctions, are excluded,[4] provided that the former licensee pays "equitable remuneration" to the patentee.[5]

II. EXTENSION OF THE TERMS OF EXISTING PATENTS UNDER GATT/TRIPS

To comply with the GATT/TRIPS Agreement, the United States has changed its patent term from seventeen years from the date of issue to twenty years from the earliest U.S. filing date.[6] TRIPS not only requires a term of at least twenty years from the first U.S. filing for patents that issue

[4] 35 U.S.C.A. § 154(c)(2) (West Supp. 1995).

[5] 35 U.S.C.A. § 154(c)(3) (West Supp. 1995).

[6] The United States implemented its obligations under the TRIPS Agreement by enacting the Uruguay Round Agreements Act on December 8, 1994. Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994) [hereinafter URAA]. The provisions relating to the conversion to a 20-year patent term took effect on June 8, 1995, which was six months after the URAA was signed by the President. For any patent issuing on an application filed on or after June 8, 1995, the term will be 20 years from the earliest U.S. filing date, i.e., the filing date of the earliest U.S. application for which benefit is claimed under 35 U.S.C. §§ 120, 121, or 365(c). 35 U.S.C.A. § 154(a)(2) (West Supp. 1995). A transitional provision, 35 U.S.C. § 154(c)(1), specifies that patents issuing from applications filed before June 8, 1995, as well as patents in force on that date, will have a term which is the greater of 20 years from the earliest U.S. filing date or 17 years from grant, whichever is longer.

Therefore, it could be argued that the license agreement expresses the intent of the parties only for the original term. Moreover, there is no indication in the TRIPS legislative history that the patent extensions were intended to benefit anyone other than the patentee.

Some license agreements do not even expressly state a termination date. Where an extension of the patent term is not involved, it is well settled that if a patent license does not specify a termination date, the license will be construed as lasting until the expiration of the patent term.[11] When the term of a licensed patent is extended, however, the question becomes *which* expiration date controls—the original expiration date before the extension was granted or the date on which the extended term expires?

IV. NINETEENTH CENTURY CASE LAW HOLDS THAT A PATENT LICENSE THAT DOES NOT EXPRESSLY COVER EXTENSIONS TERMINATES ON THE DATE WHEN THE PATENT WOULD HAVE EXPIRED

During the nineteenth century, when the term of a patent was fourteen years, patent term extensions were often granted, first in special bills passed by Congress, then at the request of the patentee under the Patent Act of 1836.[12] For example, Section 18 of the Patent Act of 1836 provided that a patentee who desired an extension of the patent term could apply to Commissioner of Patents.[13] A hearing was then held before a board consisting of the Commissioner of Patents, the Secretary of State, and the Solicitor of Treasury, at which the patentee was required to furnish proof of

[11] St. Paul Plow Works v. Starling, 140 U.S. 184, 196 (1891); American Type Founders, Inc. v. Lanston Monotype Machine Co., 137 F.2d 728, 730 (3d Cir. 1943); Skil Corp. v. Lucerne Products, Inc., 489 F. Supp. 1129, 1164, 206 U.S.P.Q. (BNA) 792, 822 (N.D. Ohio 1980), *aff'd*, 684 F.2d 346, 216 U.S.P.Q. (BNA) 371 (6th Cir.), *cert. denied*, 459 U.S. 991 (1982).

[12] 5 Stat. 117 (1836). *See generally*, W.C. ROBINSON, THE LAW OF PATENTS FOR USEFUL INVENTIONS §§ 836-845 (1890) (regarding extension of letters-patent) [hereinafter W.C. ROBINSON].

[13] 5 Stat. 124 (1836).

The question of how extensions of a patent term affect prior transfers of interest in the patent was decided by the U.S. Supreme Court.[20] The first cases involved assignments of patents.[21] Later cases applied the principles enunciated in those seminal decisions to patent licenses.[22]

Wilson v. Rousseau[23] concerned a patent for an improved machine for planing, tonguing, and grooving boards, which was issued to William Woodworth on December 27, 1828. Woodworth assigned rights in his patents to others in 1829, well before Congress passed the Patent Act of 1836. In 1842, the administrator of Woodworth's estate obtained a seven year extension of the patent term, so that instead of expiring on December 27, 1842, the term was extended until December 27, 1849.

In 1843, the administrator assigned his patent rights to Wilson, the plaintiff. Wilson sued infringers, who raised the assignments as a defense.[24] They argued that the extension of the patent term should inure to the benefit of assignees under the original patent grant, and not to the estate of the patentee.

The Court ruled that when the patent term is extended, the patent rights during the extension inure to the patentee, and that the rights of previous assignees or grantees terminate:

> The extension of the patent under the eighteenth section is a new grant of the exclusive right or monopoly in the subject

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[20] Bloomer v. McQuewan, 55 U.S. (14 How.) 539 (1852); Wilson v. Rosseau, 45 U.S. (4 How.) 646 (1846); *In re* Paper-Bag Cases, 105 U.S. 766 (1881); Mitchell v. Hawley, 83 U.S. 544 (1872); Chaffee v. Boston Belting Co., 63 U.S. (22 How.) 217 (1859).

[21] *Bloomer*, 55 U.S. (14 How.) 539; *Wilson*, 45 U.S. (4 How.) 646.

[22] *In re* Paper-Bag Cases, 105 U.S. 766; *Mitchell*, 83 U.S. 544; *Chaffee*, 63 U.S. (22 How.) 217; Wetherill v. Passaic Zinc Co., 29 F. Cas. 837 (D.N.J. 1872) (No. 17,465); Hodge v. Hudson River R.R. Co., 12 F. Cas. 272 (S.D.N.Y. 1868) (No. 6,559).

[23] 45 U.S. (4 How.) 646 (1846).

[24] The complete text of the patents, contracts, and other legal documents are reproduced in *Wilson*, 45 U.S. (4 How.) at 647-72.

The rule in *Wilson*, initially developed for assignments of patent rights, was uniformly applied to patent licenses.[28] For example, the court in *Hodge v. Hudson River R.R. Co.*, stated that "[t]he presumption of law in regard to every license is, that the parties deal in regard only to the term existing when the license is given, unless an express provision is given looking to a further interest."[29] The court cited *Wilson* [30]as authority for this rule.

An example of a case in which the *Wilson* rule was applied to a license is *Wetherill v. Passaic Zinc Co.*,[31] which involved an improved process for making zinc oxide, which was patented in 1855. The patent was extended in 1869 for seven additional years.[32] A contract between Wetherill and the defendant, executed before the extension was obtained, included the right to use the patented process. When the patentee sued the defendant for infringement during the extended term, the infringer defended by claiming that it had a license.

The court found that the contract included the right to use the patented process at the time it was signed, but that the contract did not continue the license during the extension of the patent. The court stated that

> [A] transfer of an interest in a subsisting patent will not extend beyond the term of the patent, unless there are words indicating an intention to convey more than a present interest . . . . In the absence of any words, therefore, indicating an intention to deal with more than a present interest in the

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[28] *In re* Paper-Bag Cases, 105 U.S. 766, 771-72 (1881); Mitchell v. Hawley, 83 U.S. (16 Wall.) 544, 548, 551 (1872); *See* Chaffee v. Boston Belting Co., 63 U.S. (22 How.) 217, 223-24 (1859); Wetherill v. Passaic Zinc Co., 29 F. Cas. 837 (D.N.J. 1872) (No. 17,465). *See generally* W.C. ROBINSON, *supra* note 12, § 816 (1890).

[29] 12 F. Cas. 272, 273-74 (S.D.N.Y. 1868) (No. 6,559).

[30] 45 U.S. at 685-86.

[31] 29 F. Cas. 837 (D.N.J. 1872) (No. 17,465).

[32] Wetherill v. New Jersey Zinc Co., 29 F. Cas. 832 (D.N.J. 1872) (No. 17,463).

extended patent term, and licenses, which expire at the end of the original patent term.[38]

Unless a patent license agreement clearly shows an intent to include patent term extensions, the progeny of *Wilson* hold that the license agreement expires on the date when the patent would have expired without the extention.[39] Of course, if the agreement indicates that it is intended to include patent extensions, then the license continues through the extended term.[40] Therefore, the language of the license agreement must be analyzed to determine whether it expresses the intent of the parties to include extensions of term. The word "extension" need not appear in a license for a court to conclude that the agreement shows an intent of the parties to include patent term extensions. For example, an assignment "to the full end of the term for which said letters-patent are *or may be* granted" was construed to include patent term extensions.[41] This raises the interesting question whether an agreement granting a license for all patents that issue from a specified patent application might be interpreted to encompass extensions of the terms of the patents.

V. DOES THE RULE OF *WILSON v. ROUSSEAU* APPLY TO PATENT TERM EXTENSIONS UNDER GATT/TRIPS?

While there are some differences between patent term extensions in the nineteenth century and the extension of patent terms under GATT/TRIPS, it can be argued that the old case law is still relevant.

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[38] *In re* Paper-Bag Cases, 105 U.S. 766, 771-72 (1881); Bloomer v. Millinger, 68 U.S. (1 Wall.) 340, 351 (1863); Chaffee v. Boston Belting Co., 63 U.S. (22 How.) 217, 223-24 (1859); Porter Needle Co. v. National Needle Co., 17 F. 536, 538 (D. Mass. 1883).

[39] Hodge v. Hudson River R.R. Co., 12 F. Cas. 272, 273-74 (S.D.N.Y. 1868) (No. 6,559); Gibson v. Gifford, 10 F. Cas. 317, 318 (N.D.N.Y. 1850) (No. 5,395); Case v. Redfield, 5 F. Cas. 258, 258-59 (D.Ind. 1849) (No. 2,494).

[40] McKay v. Mace, 23 F. 76, 79 (E.D. Pa. 1884); Wetherill v. Passaic Zinc Co., 29 F. Cas. 837, 839 (D.N.J. 1872) (No. 17,465); *Hodge*, 12 F. Cas. at 275-76; *cf.* Nicholson Pavement Co. v. Jenkins, 81 U.S. 452 (1871) (assignment).

[41] *Nicholson Pavement*, 81 U.S. at 456-57.

> additional protection, and ensures that critical enforcement procedures will be available in each member country to safeguard intellectual property rights.[46]

Thus, extending the duration of U.S. patent terms to an internationally accepted minimum term is intended to enhance protection for intellectual property rights. As with the extensions in the nineteenth century, the term extension under GATT/TRIPS is intended to benefit a patentee whose patent term was too short.

VI. BALANCING THE RIGHTS AND OBLIGATIONS OF PATENTEES AND "INVESTED INFRINGERS" UNDER 35 U.S.C. §§ 154(c)(2) AND (3)

The old rule expressed in *Wilson* also appears fair today in the context of GATT/TRIPS because the respective rights of patentees and former licensees are both protected under the GATT/TRIPS legislation. If existing licenses expire on the date when the patent would have expired under the seventeen-year term, then the patentee's remedies against the former licensee are severely restricted,[47] while an "equitable remuneration" is guaranteed to the patentee.[48] This statutory framework may provide a balanced approach for dealing with the impact of extended patent terms on existing licenses.

To ease the transition to a twenty-year term, the law protects certain "invested infringers" who commenced or made substantial investments to practice the invention before June 8, 1995, and whose acts become infringing during the extended term only by reason of the resetting of the patent term. Specifically, section 154(c)(2) provides that the legal remedies of 35 U.S.C. §§ 283 (injunction for patent infringement), 284 (damages for infringement), and 285 (attorney fees) shall not apply to infringing acts that were commenced or for which substantial investment was made before June 8, 1995, and that became infringing by reason of an increase in the patent term under section 154(c)(1).[49]

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[46] URAA Statement of Administrative Action, Pub. L. No. 103-465, 1994 U.S.C.C.A.N. 4040, 4280.

[47] 35 U.S.C.A. § 154(c)(2) (West Supp. 1995).

[48] *Id.* § 154(c)(3).

[49] *Id.* § 154(c)(2).

GATT/TRIPS Agreement,[51] from which the term "equitable remuneration" derives. There is little or no guidance in the URAA, the legislative history, or U.S. case law as to the meaning to be ascribed to the term "equitable remuneration." Apparently, Congress has given the courts wide latitude for determining fair compensation under the particular circumstances.

Thus, both owners of licensed patents and licensees should weigh all of the factors that may prove relevant in determining what is an equitable remuneration for continued practice of the patent during any term extension, as a possible alternative to continued payment of royalties and performance under the terms of the existing (pre-GATT) license agreement.

VII. CONCLUSION

In the distant past, the courts, including the Supreme Court, resolved disputes about the effect of patent term extensions on patent licenses by adopting the rule of law that when the term of a patent is extended, existing licenses terminate on the date when the patent term would have expired before the extension was granted, unless the contract clearly manifests an intention for the license to continue during any patent extension. If this rule is applied to licenses for patents that have had their terms extended pursuant to GATT/TRIPS, then it appears that many current licensees will become "invested infringers" during the extension, and the rights and obligations of the patentees and the former licensees will be governed by 35 U.S.C. §§ 154(c)(2) and (3) with "equitable renumeration" guaranteed to the patentee. It remains to be seen what guideposts may be established to assist the parties and the courts in determining "equitable remuneration."

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[51] In respect to any acts in respect of specific objects embodying protected subject matter which become infringing under the term of legislation in conformity with this Agreement, in which were commenced, or in respect of which a significant investment was made, before the date of acceptance of the Agreement Establishing the WTO by that Member, any Member may provide for a limitation of the remedies available to the right holder as to the continued performance of such acts after the date of application of the Agreement for that Member. In such cases the Member shall, however, at least provide for the payment of equitable remuneration.

TRIPS, *supra* note 1, art. 70(4).

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CHANGES IN SECTION 337 AS A RESULT OF THE GATT-IMPLEMENTING LEGISLATION

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I. INTRODUCTION 466
II. BACKGROUND 467
A. *Section 337* 467
1. The Statute Pre-1988 467
2. The 1988 Amendments 472
3. Pre-1995 Advantages Of Section 337 473
B. *The GATT Panel Report* 475
1. Time Limits 476
2. Counterclaims 476
3. Choice Of Fora 476
4. Availability Of Fora 477
5. Availability Of Relief 477
III. THE "NEW" SECTION 337 479
A. *Time Limits* 479
B. *Counterclaims* 480
C. *Choice Of Fora* 483
D. *Availability And Enforceability Of Relief* 486
E. *What Has Not Been Changed?* 488
IV. CONCLUSION 489

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Tariff Act of 1930. In order to provide a more meaningful context, however, the Article begins with a discussion of section 337 and the motivations for the 1994 amendments. It then describes each of the amendments and assesses individually what each is likely to mean.

As discussed below, the most significant change to the statute is probably the removal of fixed time limits in cases where permanent relief is sought.[4] Specifically, the amendments replaced fixed time limits with statutory language that the Commission is to decide cases under section 337 at the "earliest practicable time."[5] Fixed time limits were added in 1974 out of concern that section 337 relief was so slow and cumbersome that the provision was infrequently used. Will the removal of fixed time limits cause section 337 to return to the pre-1974 state of affairs? In the opinion of the authors, section 337 will continue to be a unique and important tool for combating unfair foreign competition if the Commission adheres to its statutory mandate to complete investigations expeditiously, at the "earliest practicable time."

The other statutory changes may prove less important. As with any statutory change, however, the impact of the amendments will depend upon how the Commission and the courts interpret them. Thus, for example, amendments regarding the relief available from the Commission—while perhaps intended merely to reflect Commission practice—may have a significant impact on the ability of complainants to obtain relief in the form of a general exclusion order.

II. BACKGROUND

A. *Section 337*

1. The Statute Pre-1988

Section 337 of the Tariff Act of 1930 (initially section 316 of the Tariff Act of 1922) was enacted to protect domestic industries from competition in

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[4] *See* discussion *infra* part II.B.1.

[5] *Id.*

desist orders;[10] limiting Presidential review to disapproval for policy reasons;[11] and providing a right of appellate review to all parties, including complainants, by the Court of Customs and Patent Appeals (predecessor to the U.S. Court of Appeals for the Federal Circuit).[12] In 1979, the statute was further amended to give the Commission authority to bring civil enforcement actions to remedy violations of its cease and desist orders.[13]

Until 1988, when section 337 was again amended, a complainant seeking section 337 relief had to prove that there had been unfair methods of competition or unfair acts in the importation into the United States of articles which destroyed, substantially injured, or prevented the establishment of an industry in the United States which operated efficiently and economically.[14]

Over the years, the Commission found many types of acts and practices to be unfair and deceptive and, therefore, to support finding a section 337 violation. Among the substantive causes of action recognized by the Commission were patent infringement,[15] registered trademark

[10] 19 U.S.C. § 1337(f) (1994).

[11] 19 U.S.C. § 1337(g) (1994).

[12] 19 U.S.C. § 1337(c) (1994).

[13] Trade Agreements Act of 1979, Pub. L. No. 96-39, § 1105(b), 93 Stat. 144, 310-11 (codified at 19 U.S.C. § 1337(f) (1994)).

[14] 19 U.S.C. § 1337 (1982). The statute also contained provisions relating to antitrust violations in connection with imported goods. These provisions remain in Section 337, but are not discussed further in this Article.

[15] *See, e.g.*, Certain Erasable Programmable Read Only Memories, USITC Pub. 2196, Inv. No. 337-TA-276 (May 1989).

As a result of scant statutory guidance, a significant body of case law developed interpreting section 337. For example, Commission decisions set forth the criteria to be used when determining the existence of a domestic industry. Specifically, if a product was made entirely in the United States, the complainant was required to identify the resources (and their value) which it devoted to making the product and the employees who worked on it, as well as the cost of the domestic parts and components in the product. As to products only partially made in the United States, the Commission developed a value-added analysis that quantified the values of the domestic and foreign labor, materials, and resources that went into the product.[23] Since a showing of substantial injury was a prerequisite for finding a violation, the size of the industry had to be defined precisely; otherwise, there was no way to know whether, for example, a given loss of sales or profits caused by an unfairly imported product was "substantial."

When a section 337 violation was found, the Commission would decide whether to issue a general exclusion order or a limited exclusion order to the U.S. Customs Service.[24] A general exclusion order would direct Customs to exclude all goods of the type found to violate section 337, regardless of whether the supplier of the goods had been a party to the section 337 case.[25] By contrast, a limited exclusion order would direct Customs to exclude infringing products only of persons and companies that were parties to the case. In addition, the Commission could also issue cease and desist orders to parties over whom it had jurisdiction.

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[23] *See, e.g.*, Certain Dynamic Random Access Memories, Components Thereof and Products Containing Same, USITC Pub. 2034, Inv. No. 337-TA-242 (Nov. 1987).

[24] Certain Airless Paint Spray Pumps and Components Thereof, USITC Pub. 1199, 216 U.S.P.Q. (BNA) 465, Inv. No. 337-TA-90 (Nov. 1981).

[25] The order could cover non-parties' products because Section 337 cases are *in rem* rather than *in personam*. The proceedings were directed to the products themselves and not to the manufacturers, owners or importers of the accused goods, and the relief was similarly directed. Since notice of the institution of the investigation and notice of an Initial Determination finding a Section 337 violation appeared in the Federal Register, a company with an interest in continuing to import the accused goods presumably had the opportunity to participate in the investigation or make its views known.

was retained.[31] The statute did not specify how the size of the domestic industry was to be measured or how to determine whether an injury was "substantial." Existing case law and new decisions presumably were to control domestic industry and injury issues.

Other amendments which were part of the 1988 Act completely eliminated the requirement of proof that the domestic industry was efficiently and economically operated,[32] and established a complainant's entitlement to a limited exclusion order against properly served, defaulting respondents, unless such an order would be contrary to the public interest and welfare.[33] The criteria under which the Commission was to decide whether to grant interim relief during the pendency of a section 337 case, the timing of decisions on interim relief (but not permanent relief), and attendant bonding requirements were also changed.[34]

3. Pre-1995 Advantages of Section 337

As it existed prior to 1995, section 337 offered a number of advantages. Some have been preserved in the 1994 amendments and others have been changed.

One important advantage resulted from the statutory time limit on investigations of usually one year, and no more than eighteen months in complicated cases.[35] Tight time limits benefited complainants in several ways. In addition to preventing a claim from lingering indefinitely, the statutory deadline ensured that a case would proceed rapidly through all its stages (discovery, trial, issuance of an Initial Determination, petitions for review to the Commission, and issuance of a final Commission decision on the merits of the case and the relief, if any, being awarded). Many complainants were able to use this rapid pace to their advantage.

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[31] 19 U.S.C. § 1337(a)(1)(A) (1994).

[32] No complainant has ever lost a Section 337 case based on a failure to meet this requirement.

[33] 19 U.S.C. § 1337(g) (1994).

[34] 19 U.S.C. § 1337(e) (1994).

[35] 19 U.S.C. § 1337(b) (1994).

in a locale where regional or anti-foreign sentiments might exist. Also, a specialized bar[38] with experience in representing respondents existed, so that effective representation, often with numerous respondents mounting a joint defense, was available.

All decisions were made on the record, so that a respondent was assured of being able to participate fully in all aspects of the litigation. In addition, the Administrative Law Judges that heard these types of cases all had extensive experience. Further, respondents did not risk a financial liability, because the Commission could only award prospective relief and not damages for past infringement or misdeeds.

B. *The GATT Panel Report*

In 1988, a GATT Panel[39] determined, in connection with a patent-based section 337 case,[40] that section 337 was inconsistent with the GATT obligations of the United States because it denied "national treatment" to goods of non-U.S. origin.[41] At first, the United States blocked adoption of the

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[38] A private bar developed that included law firms with expertise in this case law. Some of these firms also had expertise in the underlying substantive area of the law (for example, patent law, trademark law) and litigated cases by themselves. Other firms focused on the Commission's case law, and served as co-counsel with firms having the substantive expertise.

[39] In trade disputes between GATT signatories, complaining parties unable to reach a satisfactory settlement within a reasonable period of time may petition to convene an adjudicatory panel under Article XXIII:2 of GATT. The panel, selected from a roster of specialists, considers written and oral submissions before issuing an opinion on the legality of the challenged trade practice. The panel's report becomes legally authoritative if adopted by GATT's signatories, who may then press the offending party to reform the challenged practice or compensate the complaining party.

[40] Certain Aramid Fibers, 8 I.T.R.D. 1967 (I.T.C.), *aff'd*, 808 F.2d 1471 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987). *Certain Aramid Fibers* and the GATT Panel Report were based on section 337 as it existed before the 1988 amendments. The 1988 amendments did not make section 337 more GATT-compliant.

[41] GATT Dispute Settlement Report: United States-Section 337 of the Tariff Act of 1930, L/6439, 36 B.I.S.D. 345 (adopted Nov. 7, 1989) [hereinafter Gatt Panel Report].

goods of non-U.S. origin.[45] A domestic patent owner could only bring a patent infringement action in district court with respect to goods of domestic origin. As a consequence, a section 337 respondent could be forced to defend itself before the Commission and in court with respect to the same substantive claim, either simultaneously or *seriatim*. As to products of domestic origin, there could not be duplicative litigation of this type.

4. Availability of Fora

Section 337 was available only to entities that were domestic industries. Such entities could choose whether to proceed at the Commission, in court, or both. Entities without a domestic industry could only proceed in court, even if the allegedly infringing goods were imported.[46]

5. Availability of Relief

The Commission could issue either a general exclusion order or a limited exclusion order.[47] General exclusion orders were possible because section 337 cases are founded on in rem jurisdiction. This enabled the Commission to grant relief against non-parties, since the U.S. Customs Service would exclude all products covered by a general exclusion order regardless of their source. A district court's in personam jurisdiction was limited to the parties before it, and the relief was similarly more limited.[48] Thus, the relief available from a district court was analogous to a limited exclusion order. Although the GATT Panel Report recognized the

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[45] 19 U.S.C. § 1337(a) (1994).

[46] Section 337 was available to owners of U.S. patents regardless of citizenship, and many non-U.S. companies brought Section 337 cases against imported goods. The domestic industry requirement was the same for U.S. and non-U.S. companies owning, for example, U.S. patents.

[47] 19 U.S.C. § 1337(f)(1) (1994).

[48] The U.S. Customs Service automatically enforces Commission exclusion orders. Thus, a prevailing complainant is assured that it will obtain the benefit of the relief awarded without any further action on its part. A district court injunction is not automatically enforced, so that a prevailing plaintiff must monitor compliance and bring an enforcement action when there has been non-compliance.

337 as identified by the GATT Panel Report, while preserving the effectiveness of section 337 as a remedy against infringing imports.

III. THE "NEW" SECTION 337

Congress recently changed section 337 in a number of ways to respond to the GATT Panel Report. The principal changes, discussed below, address time limits, counterclaims, choice of fora, and relief.[52]

A. *Time Limits*

The 1994 amendments eliminated the fixed time limits under Section 337.[53] Now, section 337(b)(1) provides that:

> [t]he Commission shall conclude any such investigation and make its determination under this section at the earliest practicable time after the date of publication of notice of such investigation. To promote expeditious adjudication, the Commission shall, within 45 days after an investigation is initiated, establish a target date for its final determination.[54]

With its references to determinations being made at the "earliest practicable time" and to "expeditious adjudications," this provision makes clear that Congress intends section 337 cases to proceed as promptly as in the past. The Senate Joint Report accompanying the amendments[55] expressed the expectation that the Commission would be able to "complete its investigations in approximately the same amount of time as is currently the practice."[56] The 1994 amendments did not alter the statutory time limits which apply to requests for temporary relief.

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[52] Other changes relate to the bonding required if respondents continue to bring products into the United States during the 60-day presidential review period and to protective orders.

[53] *See* 19 U.S.C.A. § 1337(b)(1) (West Supp. 1995).

[54] *Id.*

[55] S. REP. NO. 412, 103d Cong., 2d Sess. 118, 119 (1994).

[56] *Id.* at 119.

> raising such counterclaim shall file a notice of removal with a United States district court in which venue for any of the counterclaims raised by the party would exist under section 1391 of Title 28, United States Code. Any counterclaim raised pursuant to this section shall relate back to the date of the original complaint in the proceeding before the Commission. Action on such counterclaim shall not delay or affect the proceeding under this section, including the legal and equitable defenses that may be raised under this section . . . .[61]

By its terms, Section 337 now seems to permit "any counterclaim" to be asserted. The reality may be different. Section 321(b) of the implementing legislation amended Title 28 of the U.S. Code to add a new section entitled "Counterclaim in Unfair Practices in International Trade."[62] The new statute provides that:

> [t]he district court shall have original jurisdiction of any civil action based on a counterclaim raised pursuant to section 337(c) of the Tariff Act of 1930, to the extent that it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim in the proceeding under section 337(a) of that Act.[63]

Note that the court's original jurisdiction is not expanded to include "any" counterclaim. Rather, a district court has original jurisdiction only over counterclaims which arise out of the same act or occurrence as the underlying claim. This probably will be interpreted to give courts jurisdiction over counterclaims treated as "compulsory" under the Federal Rules of Civil Procedure;[64] court decisions eventually will answer this question. There is no comparable grant of original district court jurisdiction for other counterclaims, which likely will be found analogous to permissive counterclaims under Rule 13(b) of the Federal Rules of Civil Procedure.

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[61] 19 U.S.C.A. § 1337(c) (West Supp. 1995)

[62] 28 U.S.C.A. § 1368 (West Supp. 1995).

[63] *Id.*

[64] FED. R. CIV. P. 13(a).

counterclaim based on the fruits of discovery before the Commission, but not so close to the evidentiary hearing as to disrupt the trial.[68]

Some practitioners have suggested that the counterclaim provision does not grant to respondents any rights that they would not already have had to assert causes of action in federal district court against a complainant. In several respects, however, the new provision may expand the rights of respondents. For example, any counterclaim asserted relates back to the date of the original complaint.[69] Therefore, it could be argued that for statute of limitations purposes or the limitation of damages provisions of 35 U.S.C. § 286, a respondent can file counterclaims just before the ITC hearing, and those claims will relate back to the date of the original complaint.

In addition, there could be cases where the counterclaim provision would vest jurisdiction in a federal court where jurisdiction might not otherwise exist. For example, consider a dispute between two Ohio corporations, X and Y, that are parties to an agreement under which X licenses its patent to Y. X sues Y for patent infringement under section 337. Y contends that X is breaching the license agreement and harming it. It would appear that Y can now, under the new counterclaim provisions, assert a counterclaim against X seeking monetary and injunctive relief and remove that claim to a federal district court in Ohio, even though the district court would not otherwise have jurisdiction over Y's claim against X for breach of contract.

The extent to which the new counterclaim provisions expand the rights of respondents remains to be explored in cases decided under the new statute.

C. *Choice of Fora*

The 1994 amendments do not prevent a complainant from filing actions before both the Commission and a district court. Instead, they attempt to lessen the impact on respondents of such multiple actions in two ways, while making it possible for a respondent to commence a second case against the complainant in a different forum by asserting a counterclaim.

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[68] *Id.*

[69] 19 U.S.C.A. § 1337(c) (West Supp. 1995).

of a request for a stay, such requests are to be made thirty days after the party is named as a respondent in the ITC proceeding or thirty days "after the district court action is filed."[72] It is unclear whether the filing of a district court action includes a notice of removal of a counterclaim, and therefore it is unclear whether the entire paragraph was intended to require an automatic stay of counterclaims removed by a respondent. In addition, if cases are pending at the Commission and in court which involve different issues, a stay is not automatic. Thus, a respondent that asserts a counterclaim and then removes it to district court could presumably automatically stay the civil case if it arises out of a compulsory counterclaim, but not necessarily if it asserts a permissive counterclaim unless the "same issues" are raised in the ITC investigation (for example, as affirmative defenses).

The statute is also unclear as to exactly what will be stayed. The statute speaks of staying "proceedings" in the civil action that "involve the same issues" as in the "proceeding before the Commission." It is not clear whether "proceeding" refers to the entire case or only that part of the case involving common issues. If a district court case includes issues being litigated before the ITC and also other issues, will the entire district court case be stayed, or only those portions which involve the same issues as are before the ITC? In patent-based litigation, can the damages portion of a district court case be pursued while validity, enforceability, and infringement are being litigated at the ITC? Even more complex issues arise where multiple defendants are involved, only some of whom request a stay. Are all common issues (such as validity) then stayed, even as to parties that never requested a stay? A body of case law will have to develop before the answers to these questions are known.

A respondent in a section 337 investigation is spared some of the burden of duplicative litigation in a second way. The 1994 implementing legislation adds language providing that:

> [n]otwithstanding section 337(n)(1) of the Tariff Act of 1930, after dissolution of a stay under subsection (a)[of 28 U.S.C. § 1659(a)], the record of the proceeding before the United States International Trade Commission shall be transmitted to the district court and shall be admissible in the civil action,

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[72] *Id.*

the 1994 amendments impose limits on when a general exclusion order could be issued. Section 337(d)(2) was added to specify the conditions which are a prerequisite for a general exclusion order. It states that:

> [t]he authority of the Commission to order an exclusion from entry of articles shall be limited to persons determined by the Commission to be violating this section unless the Commission determines that:
>
> (A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or
>
> (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing products.[74]

Thus, section 337(d)(2) now establishes a statutory presumption in favor of a limited exclusion order unless a general exclusion order is justified. The extent to which the new statute is a change from the Commission's previous practices is not clear. The principal Commission decision setting forth the criteria it used in deciding whether to issue a general exclusion order or a limited exclusion order was *Certain Airless Paint Spray Pumps and Components Thereof*.[75] It required a complainant seeking a general exclusion order "to prove both a widespread pattern of unauthorized use of its patented invention and certain business conditions from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles."[76] The Commission also identified three kinds of evidence which could show a widespread pattern of unauthorized use and five kinds of evidence that could prove the existence of the "business conditions" needed to justify a general exclusion order.[77] Thus, the Commission's decisions already presumed that a limited exclusion order would be issued unless the complainant proved that a general exclusion order was justified.

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[74] 28 U.S.C. § 1337(d)(2) (1988).

[75] USITC Pub. 1199, Inv. No. 337-TA-90 (Nov. 1981).

[76] *Id.* at 18.

[77] *Id.* at 18-19.

IV. CONCLUSION

After years of debate and numerous proposals, amendments to section 337 have been adopted to strike a balance between compliance with the GATT and preservation of section 337 as a fast and effective remedy to prevent the importation of infringing goods. The full impact of many of these changes is yet to be determined. For example, the 1994 amendments relax the time limits to which section 337 formerly was subject and create new options for respondents. This creates the possibility that section 337 cases will proceed more slowly. Will cases languish as was the case prior to 1974, or will cases generally be decided as quickly as before the amendments? The Commission has a mandate from Congress, clearly set forth in the statutory language and legislative history, to dispose of cases "at the earliest practicable time." The Commission has indicated its commitment to doing so. Other changes may mean that section 337 cases will be more complex as both sides maneuver between the Commission and the courts. There may also be issues as to how a complainant can obtain a general exclusion order. The recent amendments to section 337 should make for some interesting issues to be litigated in the years ahead.

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VOLUME 22, NUMBERS 3&4 PAGE 491 SUMMER/FALL 1994

BEYOND THE AMENDMENTS: FEDERAL AND ITC CASE LAW DEVELOPMENTS THAT MAY DETERMINE THE LONG-TERM FUTURE OF SECTION 337 LITIGATION

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I. INTRODUCTION 492
II. CASES IN THE FEDERAL COURTS 493
III. DEVELOPMENTS IN ITC CASE LAW 497
A. *Section 337 Actions Against Domestic Companies* 497
B. *Reach Of Remedial Powers* 503
IV. PENDING ISSUES—THE DOMESTIC INDUSTRY REQUIREMENT 505
V. CONCLUSION 508

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brought under section 337,[7] and have assumed that addressing the GATT Panel Report's findings would reinvigorate the statute.[8]

While the first indications are positive,[9] it remains to be seen whether the amendments will have a lasting impact on the volume of section 337 actions. Ironically, after seven years of waiting, developments other than the amendments may ultimately play a greater role in determining the future of section 337 claims before the International Trade Commission ("ITC"). This Article details several significant developments in federal and ITC case law and assesses their potential long-term impact on section 337 litigation.

II. CASES IN THE FEDERAL COURTS

Although parallel proceedings are not prohibited,[10] frequently the decision to file a section 337 action boils down to an assessment of the advantages of the federal court forum relative to the ITC. Factors such as the ease with which jurisdiction may be established and the type of remedies available weigh heavily in this assessment. Therefore, to the extent that federal case law impacts upon these decisional parameters, it has the potential to affect the vitality of section 337 litigation generally. Though difficult to predict with any certainty, the following cases are among those most likely to influence the decision-making processes of litigants contemplating section 337 claims in the future.

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[7] *See* 138 Cong. Rec. S12,356 (daily ed. Aug. 11, 1992) (statement of Sen. Rockefeller); DONALD K. DUVALL, UNFAIR COMPETITION AND THE ITC 716 (1995). For example, only 8 cases were initiated between November 1993 and November 1994. It should be noted however, that as a general rule, the size and stakes of these cases have increased.

[8] *See* Tom M. Schaumberg, *A Revitalized Section 337*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 259 (1995).

[9] There have been more than the usual number of cases initiated since the first of the year, when the amendments went into effect.

[10] Nonetheless, the 1994 amendments provide for an automatic stay of district court proceedings upon timely request of a section 337 respondent. 28 U.S.C. § 1659 (a) (this one amendment may prove to be a significant factor in discouraging section 337 filings).

Hills Fan, therefore, may make one of the distinctive features of section 337—the ease of suing all infringers in the same forum—less significant. Coupled with case management programs in many courts, including the so-called "rocket docket" of the Eastern District of Virginia that may shorten considerably the time for resolution of civil actions, *Beverly Hills Fan* may in fact diminish the incentive to use section 337.[14]

On the other hand, another recent district court case, *Pfizer Inc. v. Aceto Corp.*,[15] may actually serve to funnel certain types of patent cases—namely, cases concerning process patents being practiced by foreign manufacturers—to the ITC. In *Pfizer*, the plaintiff held a patent on the process for manufacturing a flavor enhancer known as "Maltol." Using Pfizer's patented processes, a Chinese company named Anhui Hefei Flavour Factory manufactured Maltol and sold it to another Chinese company which imported it into the United States. Pfizer sued both the importer and Anhui Hefei for patent infringement under the Process Patent Amendments Act ("PPAA").[16] Passed in 1988, the PPAA provides holders of U.S. process patents with a remedy against foreign companies that manufacture goods abroad using the patented processes and then import those goods into the United States.

The court in *Pfizer* granted Anhui's motion to dismiss on the ground that the PPAA does not apply to a foreign manufacturer that does not itself (or through a legally related entity) import the allegedly infringing product into the United States.[17] According to the court, it makes no difference that a foreign manufacturer knew or could foresee that a buyer of its product might ultimately import it into the United States.[18] Because such "indirect imports" frequently are the true target of the lawsuit, this limitation would,

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[14] While expeditious resolution of cases, a hallmark of section 337 litigation, has not been severely jeopardized by the 1994 amendments (all cases thus far have been set for twelve-month target dates), the point is that some federal courts are moving just as fast, if not faster.

[15] 853 F. Supp. 104, 31 U.S.P.Q.2d (BNA) 1542 (S.D.N.Y. 1994).

[16] 35 U.S.C. § 271(g) (1988).

[17] *Pfizer*, 853 F. Supp. at 105-106, 31 U.S.P.Q.2d (BNA) at 1543.

[18] *Id.* at 105, 31 U.S.P.Q.2d (BNA) at 1543.

may be a decrease in the number of patent cases that are tried to a jury in federal court, and a corresponding symmetry between federal court and ITC patent proceedings, where juries are not used.[23] While *Markman* does not alter the fundamental fact that damages are available in district court but not before the ITC, to the extent that it may alter the trend of large patent damages awarded by federal court juries,[24] it may cause litigators who prefer federal court juries to ITC judges to re-evaluate the section 337 option.[25]

III. DEVELOPMENTS IN ITC CASE LAW

The ITC itself has taken some major steps in the past few years with a series of important decisions that can only serve to bolster section 337 and increase its vitality.

A. *Section 337 Actions Against Domestic Companies*

In *Certain Plastic Encapsulated Integrated Circuits*,[26] Texas Instruments filed a section 337 complaint against several domestic-based companies for allegedly infringing certain of its processes for encapsulating in plastic semiconductor memory devices. The companies named in the suit reacted angrily. In a letter published in a widely circulated trade journal, the President and CEO of Cypress Semiconductor railed against the use of

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[23] Of course, in the very recent case of Hilton Davis Chemical Co. v. Warner-Jenkinson Co., 62 F.3d 1512, 35 U.S.P.Q.2d (BNA) 1641 (Fed. Cir. 1995), the Federal Circuit diminished this potential impact of *Markman* by holding that the application of the doctrine of equivalents is a question of fact for the jury.

[24] *See e.g.* Paul M. Janicke, *Contemporary Issues in Patent Damages*, 42 AM. U. L. REV. 691, 693 (1993) (listing cases).

[25] In addition, with judges disposing of more cases prior to trial, the lack of patent experience of many District Court judges as well as the limited amount of time their dockets permit for developing expertise may become an issue. By contrast, the two administrative law judges at the ITC, where the only cases heard by administrative law judges are section 337 cases, have substantial experience in patent matters and relatively uncrowded dockets. While the recent retirement of the Chief Administrative Law Judge, Janet Saxon, potentially places an increased burden on the two remaining judges, this will dissipate if the ITC retains a third judge.

[26] USITC Pub. 2574, Inv. No. 337-TA-315 USITC, (Aug. 1990).

industry. Upholding the ITC, the Federal Circuit rejected this argument.[30] In particular, the court noted that the purpose of the 1988 legislation was "to make [section 337] a more effective remedy for the protection of United States intellectual property rights."[31] According to the court, "to hold that some members of the domestic industry may commit unfair trade acts against other law-abiding members of the domestic industry with impunity . . . would make section 337 a less, not more, effective remedy."[32]

Early indications suggest that *Texas Instruments* has added new vigor to section 337. For example, in one recent case a domestic computer disk drive manufacturer attempted to use section 337 to prevent IBM from importing personal computers which it alleged contain hardware violating its patents.[33] If this case is in any way indicative of future actions, it appears that at least where blocking imports can effectively achieve the main objective of the patent-owner—that is, where the product is wholly or mostly manufactured overseas—domestic companies will continue to realize certain advantages when using the ITC forum against other domestic companies. In Conner's case, using the statute had a powerful effect—just two months after the case was initiated by the ITC, Conner and IBM resolved their two-year old patent litigation pending in San Jose with a cross-licensing agreement.[34]

A variant of this theme was raised in the important recent case of *Certain Sputtered Carbon Coated Computer Disks and Products Containing Same ("Sputtered Disks").*[35] That case involved claims of patent infringement by an

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[30] Texas Instruments v. USITC, 988 F.2d 1165, 1181, 26 U.S.P.Q.2d (BNA) 1018, 1031 (Fed. Cir. 1993).

[31] *Id.* (quoting Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 1341(b), 102 Stat. 1107, 1211 (codified at 19 U.S.C. § 1337, note)).

[32] *Id.*

[33] Certain Low-Power Computer Hard Disk Drive Systems and Products Containing Same, Inv. No. 337-TA-373 (USITC, Oct. 1995).

[34] *IBM, Conner Settle Suits on Patent Infringements*, WALL ST. J., July 27, 1995, at B9.

[35] USITC Pub. 2701, Inv. No. 337-TA-350 (Nov. 1993).

decision, the ITC reversed the ALJ's decision, holding that it did in fact have jurisdiction over the imported disk drives containing domestically-manufactured, "sputtered" carbon coated disks. The ITC focused on the language of section 337 itself, concluding that the jurisdictional limitation announced by the ALJ could not be found in the statute. Specifically, the ITC found that:

> [t]he fundamental flaw in respondents' argument is that the actual language of section 337 simply does not contain the jurisdictional limitations that they seek to impose. *The statute, by its terms, does not limit coverage to articles of foreign manufacture.* By contrast, there are numerous instances in which Congress has expressly limited the scope of trade or customs-related statutes to articles manufactured in a foreign country. The fact that Congress did not use similar language in section 337, or place an express restriction limiting its scope to goods produced abroad, strongly militates against the statutory construction advocated by respondents.[39]

While acknowledging that "Congress' principal objective in enacting the statute was to provide a remedy against unfair acts in the importation and sale of goods manufactured abroad," the ITC could find no rationale for interpreting the statute as applying *only* to such articles.[40] The ITC also ruled that its statement in *EPROMs* suggesting that it did not have jurisdiction over domestically-manufactured articles was distinguishable because in that case it was merely determining the appropriate scope of an exclusion order.[41]

Notwithstanding its important pronouncement on jurisdiction over imported products, however, the ITC's failure to comment on an issue on which it requested briefing in its notice of review in *Sputtered Disks* is perhaps even more interesting. Specifically, the Commissioners did not indicate whether construing section 337 jurisdiction to extend to domestically-manufactured articles will have the practical effect of making

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[39] *Sputtered Disks*, USITC Pub. 2701 at 4-5, Inv. No. 337-TA-350 (Nov. 1993) (emphasis added).

[40] *Id.* at 7.

[41] *Id.*

B. *Reach Of Remedial Powers*

One recent case potentially strengthens the kind of remedy that the ITC will issue once a violation of the section is found. It is well-established in section 337 law that exclusion orders can cover "downstream" or secondary products containing infringing articles.[45] However, the last time the ITC had issued an order covering downstream products of companies that were not before the ITC as a respondent,[46] the exclusion of downstream products of non-respondent manufacturers had been the basis of one of only five instances ever of Presidential disapproval of an exclusion order.[47] In *Certain Integrated Circuit Telecommunication Chips*,[48] the ITC made another attempt at issuing such an order.

The case involved integrated circuit chips used to generate the dual tone signals used in most touch tone telephones.[49] SGS-Thompson, Inc. (a not infrequent user of the statute) was the complainant, and twelve companies were named as respondents: three of those companies were overseas manufacturers of allegedly infringing chips, three were alleged to incorporate the chips into telephones, and the remaining six were alleged to be importers of the telephones.[50] After affirming the administrative law judge's finding of a violation on the part of one of the chip manufacturers,

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[45] *See, e.g.*, Certain Erasable Programmable Read Only Memories, USITC Pub. 2196, Inv. No. 337-TA-276 (May 1990) (motherboards, computers, computer peripherals, telecommunications equipment); Certain Plastic Encapsulated Circuits, USITC Pub. 2574, Inv. No. 337-TA-315 (Nov. 1992) (motherboards and other carriers, but not finished products such as computers, television, or telephones).

[46] Certain Dynamic Random Access Memories, Components Thereof, and Products Containing Same, USITC Pub. 2034, Inv. No. 337-TA-242 (Nov. 1987).

[47] *See* DUVALL, *supra* note 7, § 8.2 (listing cases).

[48] USITC Pub. 2670, Inv. No. 337-TA-337 (Aug. 1993).

[49] *Id.* at 2.

[50] *Id.*

According to the Commission, this approach was entirely consistent with its test for limiting the exclusion of downstream products previously approved by the Federal Circuit on review,[56] and was justified where necessary to provide "effective relief."[57] Finally, the Commission concluded that "given that virtually all tone dialer chips are imported into the United States already installed in telephones, it would be inequitable to deprive [complainant] ST of relief merely because it did not name all possible telephone manufacturers as respondents."[58] In so doing, the Commission sent a strong signal concerning the strength of its *in rem* jurisdiction and the breadth and flexibility of its remedial powers.

IV. PENDING ISSUES—THE DOMESTIC INDUSTRY REQUIREMENT

From the perspective of traditional intellectual property litigation, probably the most unique feature of section 337 is that mere ownership of a U.S. intellectual property right does not automatically open the door to the ITC forum. In order to have standing, the statute requires that a complainant show that there exists a "domestic industry" relating to the articles protected by the intellectual property right or that such an industry is in the process of being established.[59]

The domestic industry requirement was substantially liberalized, however, by the 1988 amendments to the statute. First, the amendments eliminated, for cases involving alleged infringement of patent, copyright, trademark or mask works the requirement that the complainant prove *injury* to a "domestic industry" in order to obtain an exclusion order. Thus, after the amendments it became sufficient for a complainant to prove the *existence*

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[56] *Id.* at 28 (citing Hyundai Elecs. Indus. Ltd. v. U.S. Int'l Trade Comm'n., 899 F.2d 1204, 14 U.S.P.Q.2d (BNA) 1396 (Fed. Cir. 1990)).

[57] *Id.* at 32.

[58] *Id.* at 28. Recognizing the difficulty Customs would have in enforcing this order, the Commission included certification provisions in the order exempting telephones and telephone sets under the specified tariff categories if the importer or manufacturer certified that their product had certain additional features (taking them out of the "low end" market) or certified that the product did not contain a tone dialer chip found by the Commission to have been infringing. *Id.* at 32-33.

[59] 19 U.S.C. § 1337(a)(2) (1994).

As in *Sputtered Disks*, the complainant in *Memory Devices* is an individual inventor.[64] Unlike *Sputtered Disks*, however, the inventor in *Memory Devices* was joined in his complaint by a Connecticut-based group called the Patent Enforcement Fund, a business which funds and manages patent litigation and licensing on behalf of individual inventors or very small enterprises. Together, the co-complainants asserted that their expenditures of time and resources in identifying and collecting information about prospective licensees and possible infringers formed at least one possible basis for a finding that they satisfied the domestic industry requirement.

As of yet, no complainant has succeeded on the claim that a domestic industry was established solely on the basis of licensing activities.[65] Nor, for that matter, does there ever appear to have been any cases containing allegations that a patent litigation firm is part of the domestic industry. Unfortunately, there is little guidance on what would constitute "substantial investment" in licensing under the statute. Although the legislative history speaks of "universities and other intellectual property owners who engage in *extensive licensing* of their rights to manufacturers,"[66] in *Memory Devices*, not only do the complainants have no licensees to date, but their attempts to attain them appear exceedingly weak. For example, exhibits to the complaint list approximately two dozen letters offering licenses to major

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[64] It is too early to tell whether the onset of individual inventor cases represents a trend in Section 337 actions, but it is at least further indication of the accessibility of the ITC forum to all comers. Some of this may be attributable to the willingness of even well-known law firms to take 337 cases on a contingency basis, as was understood to be the case in *Sputtered Disks* (Kirkland & Ellis) and in Certain Rechargable Nickel Metal Hydride Anode Materials and Batteries, Inv. No. 337-TA-368 (terminated by settlement, February 1995) (Collier, Shannon, Rill & Scott). Because no damages are available in 337 cases, a law firm's contingent fee must be pegged to something other than damages: for example, a percentage of any license fees obtained.

[65] In the recent case of Certain Plastic Encapsulated Integrated Circuits, USITC Pub. 2574, Inv. No. 337-TA-315 (Aug. 1990), the ITC Staff's trial brief suggested that Texas Instruments, famous for its use of its aggressive patent licensing program as a revenue center, had moved for summary judgment that it was a domestic industry based solely on its licensing activities, and that the Staff had recommended against summary judgment on this "question of first impression."

[66] S. REP. NO. 71, 100th Cong., 1st Sess. 129 (1987) (emphasis added).

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TREATIES BRING CHANGES TO U.S. TRADEMARK LAW AND PRACTICE

Louis T. Pirkey
*William G. Barber**

I. INTRODUCTION 510
II. GATT 511
III. NAFTA 513
IV. TRADEMARK LAW TREATY 515
V. MADRID PROTOCOL 521
VI. CONCLUSION 529

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II. GATT

On April 15, 1994, the intellectual property provisions of GATT were amended.[5] Pursuant to these new provisions, the U.S. trademark statute ("Lanham Act") was amended in two respects.[6] Both amendments to the Lanham Act will take effect January 1, 1996.[7]

One of these amendments relates to the time period for abandonment of marks by nonuse. Under section 45 of the Lanham Act,[8] a mark is deemed abandoned when its use has been discontinued with intent not to resume use. The statute currently provides that nonuse for two consecutive years constitutes prima facie evidence of this type of abandonment. However, pursuant to the GATT/TRIPS amendments, this time period will be increased to three years.[9]

As before the amendment, the period of nonuse raises only a prima facie presumption of abandonment. The mark owner will still be able to rebut the presumption by proving that it intended to resume use of the mark. A party will still be able to prove abandonment based on less than three years of nonuse if it can establish that the mark owner intended not to resume use.

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[5] The agreements amending GATT were the consummation of the Uruguay Round of Multilateral Trade Negotiations. The intellectual property provisions are embodied in The Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, *opened for signature* Apr. 15, 1994, art. 19(1), 33 I.L.M. 81 [hereinafter TRIPS].

[6] Uruguay Round Agreements Act, 15 U.S.C.A. §§ 1127, 1052 (West Supp. 1995).

[7] *Id.* The implementing legislation provides that the amendments "take effect one year after the date on which the WTO [World Trade Organization] Agreement enters into force with respect to the United States." The WTO Agreement, also one of the Uruguay Round agreements which governs world trade in goods and services, went into force in the United States on January 1, 1995.

[8] 15 U.S.C. § 1127 (1994).

[9] 15 U.S.C.A. § 1127 (West Supp. 1995). This change was made in view of TRIPS, *supra* note 5, art. 19(1).

One question, the answer to which is somewhat unclear under the amendment, is whether a mark that has been *constructively* used prior to January 1, 1996 (by virtue of the filing of an intent-to-use application), but not *actually* used until after January 1, 1996, will be subject to the new section 2(a) rejection. Under section 7(c) of the Lanham Act,[13] the filing of a federal trademark application constitutes constructive use of the mark. Thus, it could be argued that intent-to-use applications filed prior to January 1, 1996 should not be subject to the new section 2(a) rejection.

However, the constructive use conferred by section 7(c) is contingent on ultimate registration of the mark on the Principal Register—it does not become effective until the registration issues. Thus, it is likely that constructive use alone prior to January 1, 1996 will not save a mark from the new section 2(a) rejection—actual use before that date will probably be required. Certainly, if there is any doubt as to whether a mark that is the subject of a pending intent-to-use application may be rejected under this new provision, the applicant would be wise to begin using the mark prior to January 1, 1996.

III. NAFTA

NAFTA also brought a new statutory bar to registration into U.S. trademark law.[14] Similar to one of the GATT/TRIPS amendments, the NAFTA amendment deals with geographic terms. However, unlike GATT, the change under NAFTA is not limited to any particular goods (such as wines and spirits under GATT)—it applies regardless of the goods or services involved.

Pursuant to NAFTA, the Lanham Act was amended to strictly prohibit registration of marks which are "primarily geographically deceptively misdescriptive" of the applicant's goods or services.[15] Examples of this type of mark include DURANGO for chewing tobacco not grown in

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[13] 15 U.S.C. § 1057(c) (1994).

[14] *See* NAFTA, *supra* note 2, art. 1712.

[15] *See* North American Free Trade Agreement Implementation Act, 15 U.S.C.A. §§ 1052(e), 1052(f), 1091(a) (West Supp. 1995) [hereinafter NAFTA Implementation Act] (amending sections 2(e), 2(f), 23(a) of the Lanham Act).

The savings provision relating to the Supplemental Register is worded in an interesting manner. It appears to apply if the mark sought to be registered has been in use since before December 8, 1993 "on or in connection with *any* goods or services"—not necessarily the goods or services covered by the application.[24] Thus, suppose a company opened a restaurant in Austin, Texas under the service mark SANTA FE STYLE on January 1, 1993. On January 1, 1995, the company begins selling salsa, under the same mark, which it makes at its Austin restaurant. Under a literal reading of the statute, it appears the company can still register on the Supplemental Register the mark SANTA FE STYLE for salsa. Although it did not begin using the mark for those goods until after December 8, 1993, it began using the mark for restaurant services prior to that date.[25]

IV. TRADEMARK LAW TREATY

When harmonization of trademark laws and procedures was first discussed some years ago, the primary thrust was to make the substantive trademark laws of each nation compatible with one another. After exploring this concept, the United States and other major countries concluded that this task was too difficult and redirected their focus to procedural harmonization.

The result of these efforts was the Trademark Law Treaty ("TLT"), a trademark harmonization treaty.[26] This treaty was signed by the United

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[24] 15 U.S.C. § 1091(a) (1994) (emphasis added). Compare this language to the savings provision relating to the Principal Register, which requires that the mark has become distinctive "of the *applicant's* goods" (i.e., the goods covered by the application) before December 8, 1993. 15 U.S.C. § 1052(f) (1994) (emphasis added).

[25] It is assumed in this hypothetical that the mark SANTA FE STYLE is primarily geographically deceptively misdescriptive of salsa made in Austin. It is also assumed that no other bars to registration under Section 2 of the Lanham Act apply to the mark.

[26] *See* Trademark Law Treaty, *supra* note 3, art. 19(1). Membership in the TLT is not limited to members of the Paris Convention for the Protection of Industrial Property ("Paris Convention"); rather, it is available to all members of the World Intellectual Property Organization ("WIPO"). *See id.*

Terms used in the treaty are defined in Article 1. The article does not define what constitutes a legal entity eligible to apply for registrations, leaving that to the laws of members.

Article 2 relates to the nature and kinds of marks covered. Under this article:

(a) Both trademarks and service marks are covered.[29] Service marks, of course, are enormously valuable to U.S. and worldwide business. Despite their value, many countries have been reluctant to extend protection to service marks—some countries still do not register them.

(b) Collective, certification, and guarantee marks are not covered by the TLT.[30]

(c) Hologram, sound, and olfactory marks are not covered.[31]

(d) Three-dimensional marks are not covered in those countries that do not accept such marks for registration.[32] However, they will be covered in the United States.[33]

A lengthy list of provisions that a member may require in an application for registration of a mark is contained in paragraphs 1 through 4 of Article 3. Most of these provisions are fairly standard and already in use in the United States[34] and elsewhere. A notable exception is the requirement in Article 3(1)(a)(xvii) and Article 3(1)(b) that a declaration of intent to use may be required and the option given to the applicant to file a statement of use instead of, *or in addition to*, that declaration. This will require a change

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[29] *Id.* art. 2(2)(a).

[30] *Id.* art. 2(2)(b).

[31] *Id.* art. 2(1)(b).

[32] *Id.* art. 2(1)(a).

[33] *See* 15 U.S.C. § 1052 (1994) (three dimensional marks are not included in the list of unregistrable matter).

[34] *See* 37 C.F.R. § 2.33 (1995).

Article 6 provides that a multiple-class application shall result in a single registration. This is already the practice in the United States.[40]

An applicant having a multi-class application may file one or more divisional applications, as provided in Article 7, preserving the filing and priority date of the parent application. This procedure will permit quicker registration of marks when approval of the parent application is being delayed by a conflict that would not affect the divisional application. Again, this is already the practice in the United States.[41]

Members are obligated by Article 8 to accept handwritten signatures from foreign nationals.[42] But members may also accept, if they so provide, printed or stamped signatures, or a seal.[43] Article 8(4) specifically prohibits members, after a phase-in period, from requiring notarization or legalization of signatures, except in cases in which a registration is being surrendered.

Article 9 provides that class numbers of the Nice Classification[44] be indicated and that goods and services for which registration is sought be grouped together and enumerated under the respective class number.[45] Article 9(2) provides that goods or services may not be considered similar to each other just because they are in the same class, or dissimilar just because they are in different classes.

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[40] *See* 37 C.F.R. § 2.86(b) (1995).

[41] 37 C.F.R. § 2.87 (1995).

[42] Trademark Law Treaty, *supra* note 3, art. 8(1)(i).

[43] *Id.* art. 8(1)(ii).

[44] The Nice Classification is the standard classification established by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, June 15, 1957, 23 U.S.T. 1336, 550 U.N.T.S. 45, as revised at Stockholm on July 14, 1967, at Geneva on May 13, 1977, and as amended on October 2, 1979 [hereinafter Nice Agreement]. The Nice Agreement has been adhered to by 38 countries, including the United States, but is also followed by many others.

[45] Trademark Law Treaty, *supra* note 3, art. 9(1).

Article 16 requires that all members register service marks and that all provisions of the Paris Convention which concern trademarks be applied to service marks.

The remaining articles relate to issues such as the phase-in period, procedures for becoming a party to the treaty, the effective date, and languages.

V. MADRID PROTOCOL

A single multi-nation application for registration of marks has been available to residents of many countries for over a century through the Madrid Arrangement.[49] Due to long-standing objections in the United States to some of its provisions, the United States has never been a member of the Madrid Arrangement.[50] The objections are based on a belief that, under the Madrid Arrangement, U.S. trademark owners would be disadvantaged in comparison to residents of many other countries. For example, under the Madrid Arrangement, applicants must obtain a *registration* of a mark in their home country before they can apply for international registration of the mark.[51] Registrations can be obtained in most countries much more quickly than in the United States because the United States, unlike many countries, requires use prior to registration,[52] and subjects applications to rigorous

[49] The Madrid Agreement Concerning the International Registration of Marks, Apr. 14, 1891, 828 U.N.T.S. 389, as revised at Brussels on Dec. 14, 1900, at Washington on June 2, 1911, at The Hague on Nov. 6, 1925, at London on June 2, 1934, at Nice on June 15, 1957, and at Stockholm on July 14, 1967, and as amended on Oct. 2, 1979 [hereinafter Madrid Arrangement]. As of July 1, 1995, forty-four countries, mainly in Europe, are members.

[50] INTERNATIONAL TREATIES ON INTELLECTUAL PROPERTY 229-30 (Marshall A. Leaffer, ed., BNA 1990).

[51] Madrid Arrangement, *supra* note 49, art. 1(2).

[52] *See, e.g.*, 15 U.S.C. § 1051 (1994).

joins the Madrid Protocol,[59] U.S. trademark owners will be able to file a single application, in English, to register a mark—whether a trademark, service mark, or both[60]—and obtain an "international registration" that may then extend protection to other member countries and territories of the Madrid Protocol.[61] The "international registration" is the vehicle for extending protection to the jurisdictions of the Madrid Protocol.

Under the Madrid Protocol, one may register a mark on the International Register by filing an international application.[62] Before applying to register, the applicant must have registered the mark (i.e., have received a "basic registration") *or applied to register* the mark (i.e., have filed a "basic application") in the trademark office ("office of origin") of a member of the Madrid Protocol.[63] This is a significant improvement from the United States' perspective over the Madrid Arrangement, because U.S. applicants will not have to await issuance of a U.S. registration before filing an international application, and because filing in the United States can now be based on an intent to use the mark.[64]

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all voting rights provisions from that treaty.

[59] A bill to implement the Madrid Protocol in the United States (which would be subject to the treaty's ratification by the United States and entry into force in the United States) was recently introduced in Congress. H.R. 1270, 104th Cong., 1st Sess. (1995). Similar bills were introduced in the last two Congresses, but those efforts stalled. *See* H.R. 6211, 102d Cong., 2d Sess. (1992); H.R. 2129, 103d Cong., 1st Sess. (1993); S. 977, 103d Cong., 1st Sess. (1993).

[60] Madrid Protocol, *supra* note 4, art. 2(3).

[61] Membership in the Madrid Protocol is open to countries who are members of the Paris Convention and to certain intergovernmental organizations. *Id.* art. 14. Member countries are called "Contracting States" in the treaty, and member organizations are called "Contracting Organizations." *Id.* art. 1.

[62] *Id.* art. 3.

[63] *Id.* art. 2(1).

[64] *See* 15 U.S.C. § 1051(b) (1994).

The applicant must specify the members where it desires protection in the international application[68] and pay the applicable fees in advance to the International Bureau. These fees generally include a "basic fee, a "supplementary fee" for each class covered over three, and a "complementary fee," or alternatively an "individual fee," for each member to which extension of protection is requested.[69] In addition, the office of origin may charge a fee for receiving and processing the international applications and renewals.[70]

The registrant can make subsequent requests for extension after the international registration issues, paying the fee for each member requested.[71] The International Bureau will again notify the trademark offices involved. Extensions after the international registration will be effective on the date they are recorded in the International Register.

Foreign applicants requesting an extension of protection to the United States will likely have to comply with certain basic requirements of U.S. trademark applications. Most notably, they will probably have to submit, with the request, a declaration similar to that required in intent-to-use applications, attesting that the applicant has a bona fide intention to use the mark in U.S. commerce, believes it is entitled to use the mark in U.S. commerce, and believes no one else has the right to use the mark or a similar mark in U.S. commerce in a manner likely to cause confusion.[72]

A notified trademark office may deny protection if the mark would not be registrable under the applicable trademark laws if the application had

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[68] *Id.* art. 3*ter*(1).

[69] *Id.* art. 8(2). The complementary fee set by the International Bureau applies to all member countries unless a country sets its own individual fee. However, the individual fee may not be higher than the amount that would be charged for a ten year renewal of a registration in that country, and the amount is to be discounted by the savings resulting from the international procedure. *Id.* art. 8(7)(a).

[70] *Id.* art. 8(1).

[71] *Id.* art. 3*ter*(2).

[72] *See* 15 U.S.C. § 1051(b)(1)(A) (1994).

Members may not invalidate protection of an internationally registered mark without giving the registrant the opportunity to defend its rights.[80]

International registrations under the Madrid Protocol will be effective for ten years,[81] and may be renewed for additional ten-year terms upon the payment of fees.[82] A six-month grace period for renewal will be available upon payment of a surcharge.[83]

Under the Madrid Protocol, an international registration will become independent of the basic application or the basic registration on its fifth anniversary.[84] After that time, an international registration will remain in force even if the national or regional registration upon which it was initially based ultimately lapses or is cancelled.

Prior to its five-year anniversary, an international registration will be cancelled, and protection provided therein will lapse if and to the extent that the basic application or basic registration ceases to become effective with respect to all or some of the goods and services listed in the international registration. The same result applies if a proceeding (such as an appeal of a rejection, an opposition, or a cancellation proceeding) which results in the basic application or basic registration becoming ineffective commences prior to the fifth anniversary of the international registration, even if the proceeding is not concluded until after the fifth anniversary.[85]

However, should an international registration be cancelled in this way, it may in essence be converted to national or regional applications in the countries or intergovernmental organizations where the international registration had effect. To be eligible for this procedure, the national or

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[80] *Id.* art. 5(6).

[81] *Id.* art. 6(1).

[82] *Id.* art. 7(1).

[83] *Id.* art. 7(4).

[84] *Id.* art. 6(2).

[85] Madrid Protocol, *supra* note 4, art. 6(3).

- the cost savings of not having to hire a trademark attorney or agent in every country where protection is desired—foreign associates would typically need to be engaged only in those countries where a request for extension of protection is rejected; and

- the cost savings of having to maintain only one international registration, as opposed to individual registrations in various countries and regions—this would greatly reduce the costs of recording name and address changes, assignments, and renewals.

However, whether the United States will ever join the Madrid Protocol is uncertain at best, due to the volatile and yet unresolved voting rights issue.[90]

VI. CONCLUSION

The GATT and NAFTA offer substantial benefits through enhanced protection to U.S. mark owners—especially those who own well-known marks—in the other countries that have adhered to those treaties. Among the benefits, both treaties extend protection to service marks and both make it easier to establish that a mark is well known in the territory.

The TLT and Madrid Protocol will facilitate protection of marks in other members around the world.

These treaties are very important and beneficial to U.S. mark owners. The relatively minor changes we had or have to make in our own trademark law is indeed a small price to pay for the benefits received.

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[90] *See supra* note 58.

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COPYRIGHT AND THE URUGUAY ROUND AGREEMENTS: A NEW ERA OF PROTECTION OR AN ILLUSORY PROMISE?

Doris E. Long[*]

I. INTRODUCTION 533
II. A SHORT HISTORY OF THE URUGUAY ROUND NEGOTIATIONS 534
A. *Uruguay Round Preparatory Work: A Preview Of Future Problems* 535
B. *The Ministerial Declaration: The Formal Debate Begins* 540
C. *The Jurisdictional Debate—GATT Or WIPO?* 543
D. *Property Rights, National Interest, And The Access To Technology* 547
E. *The Major Copyright Law Debates* 550
1. Moral Rights 551
2. Neighboring Rights 552
3. Protection Of Computer Software And Databases 553
4. Compulsory Licensing And Rental Rights 554
III. THE TRIPS AGREEMENT: VICTORY AND COMPROMISE 555
A. *The Establishment Of International Copyright Norms* 556
1. Protection Of Computer Software And Databases 557
2. Commercial Rental Rights 558

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I. INTRODUCTION

On December 15, 1993, after over seven years of hotly contested, often divisive debate, the Uruguay Round of the Multilateral Trade Negotiations on the General Agreement on Tariffs and Trade ("GATT") was finally concluded. On April 15, 1994, the Marrakesh Declaration, formally accepting the agreements reached during the Uruguay Round and establishing the World Trade Organization ("WTO") (which will administer GATT and other organizations created by the Uruguay Round Agreements), was signed by 111 nations, including the United States. The Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS")[1] reached during those negotiations represents, at its most obvious level, a new understanding of the role of GATT in the arena of international copyright protection. On a more fundamental level, TRIPS represents a new effort to improve copyright owners' ability to protect their copyrightable works internationally by establishing not only agreed-upon minimum levels of substantive rights in such works, but also minimum levels of enforcement of these rights, including certain minimum procedural and remedial standards, under the auspices of GATT dispute resolution mechanisms.

Perhaps most importantly, TRIPS represents a series of compromises between the diametrically opposed views of "developed" countries, who are generally exporters of copyrighted works, and "developing" countries,[2] who are generally importers of copyrighted works, regarding the scope of protection such works should be afforded. These opposing views, prominent in the Uruguay Round negotiations, demonstrate a fundamental conflict between what has been described as the "technological haves" and the "technological have-nots." The compromises reflected in TRIPS are a preliminary attempt to resolve this conflict. The ultimate success of such

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[1] The Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, *opened for signature* Apr. 15, 1994, 33 I.L.M. 81 [hereinafter TRIPS].

[2] For purposes of this Article, the term "developed countries" refers to countries such as the United States, Canada, Japan, members of the European Community, and generally includes the member countries of the Organization for Economic Cooperation and Development ("OECD"). The term "developing countries" refers to those Third World countries which have not reached the general level of industrialization present in the developed countries and includes "less developed countries," members of the "Group of 77," *see infra* note 42, and "newly industrialized countries."

of TRIPS as a formal GATT negotiating subject for the Uruguay Round foreshadowed the problems that would bedevil subsequent negotiations.

A. *Uruguay Round Preparatory Work: A Preview Of Future Problems*

Interest by certain developed countries in using GATT as a forum to address intellectual property issues arose primarily as a result of the perceived inability of existing international conventions to resolve the global trade problems posed by an explosion in international trafficking of counterfeit and pirated goods in the late 1970s. The international proliferation of pirated and counterfeit products can be directly attributed to, inter alia, the advent of new technology which made such counterfeiting cheaper and, therefore, more economically feasible, and the absence of an effective international mechanism for requiring other nations to prohibit the manufacture, importation, or sale of such counterfeit goods. Although such counterfeit and pirated goods could, and often did, include copyrighted works, most early efforts against such illicit traffic focused on the need to prohibit the trafficking in counterfeit *trademarked* goods. Over time, however, efforts to utilize GATT to prohibit trademark counterfeiting expanded to include copyright under the umbrella of rights for which a GATT solution to infringement was sought.

The perceived adverse economic impact from this illicit international traffic led the United States and other developed countries to conclude that the absence of a workable international trademark protection mechanism could and did have a direct distorting impact on trade. During the Tokyo Round, the United States spearheaded an unsuccessful effort to negotiate an

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additional topics for negotiation identified in the *Ministerial Declaration* were tariffs, non-tariff measures, natural resource-based products, textiles and clothing, agriculture, Multilateral Trade Negotiations ("MTN") Agreements, subsidies and countervailing duties, dispute settlement, and trade related investment measures. *Id.* at 5-8. At various times during the TRIPS negotiations, resolution of conflicts relating to these issues was often linked to the resolution of conflicts arising under another topic. For example, at one point, the United States refused to discuss compromises regarding TRIPS unless and until conflicts regarding agriculture were resolved. This Article will not discuss the context of such negotiations other than to note their existence. For a good overview of the negotiations of the Uruguay Round, including the various conflicts which arose in connection with TRIPS, see NEGOTIATING HISTORY, *supra* note 4.

anti-counterfeiting code under GATT auspices.[7] The negative reaction of the developing nations to this relatively limited proposal presaged later conflicts regarding the propriety of utilizing GATT to address copyright protection issues. In particular, Brazil and India (who later spearheaded much of the developing countries' opposition to TRIPS) decried any attempt to include the protection of intangible intellectual property rights under GATT.

This early challenge to GATT jurisdiction for intellectual property matters was never wholly defeated or effectively resolved prior to the start of the Uruguay Round. In fact, when the United States tabled a proposal with the Preparatory Committee[8] seeking to include all intellectual property rights (including copyright) within GATT negotiations,[9] the debate between the developed and developing countries regarding the jurisdictional scope of GATT gained renewed vigor. The developing countries considered the inclusion of copyright protection among the issues proposed for inclusion in the Uruguay Round particularly inappropriate given the intangible nature of the rights sought to be protected. The developing countries contended that GATT's jurisdiction was limited solely to the trade impact of tangible goods,[10] and insisted that the World Intellectual Property Organization

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[7] *See, e.g.*, 2 NEGOTIATING HISTORY, *supra* note 4, at 2261; A. Jane Bradley, *Intellectual Property Rights, Investment and Trade in Services in the Uruguay Round*, 23 STAN. J. INT'L L. 57, 66 (1987); GLICK, *supra* note 6, at 151-52.

[8] In 1984, the council appointed a Preparatory Committee to address the issue of which topics should be included for a new round of multinational negotiations. It was during the work of this Preparatory Committee that the issue of including copyright protection as a GATT negotiating topic was first raised.

[9] *See* 2 NEGOTIATING HISTORY, *supra* note 4, at 2263. The proposal was tabled on April 11, 1986.

[10] The representative of Brazil declared that intellectual property rights were a "non-GATT issue." *Preparatory Committee, Record of Discussion, Discussions 8-31 July 1986*, GATT Doc. Com(86)SR/9 (Aug. 26, 1986). The representative of India stated that the protection of intellectual property was "outside the competence of the GATT." The representative of Argentina stated that WIPO, not GATT, was the appropriate forum for the resolution of intellectual property law disputes. *Id.* at 7-8. *See generally* 2 NEGOTIATING HISTORY, *supra* note 4, at 2263 n.11. For a brief discussion of the legal foundations for this jurisdictional debate, see Monique L. Cordray, *GATT v. WIPO*, 76 J. PAT. OFF. SOC'Y 121 (1994).

Formal negotiations failed to resolve the conflict.[13] Eventually, a proposal by the Swiss and Columbian representatives, which represented

[13] Three proposals were ultimately submitted to the GATT Ministers regarding the inclusion or non-inclusion of intellectual property rights as a basis for discussion during the Uruguay Rounds. The proposal drafted as a compromise by the Swiss and Columbian representatives specifically included intellectual property as a topic for negotiation. This compromise proposal stated:

> In order to reduce distortions and impediments to international trade arising from the lack of adequate and effective protection of intellectual property rights, negotiations shall aim:
>
> to promote a more effective and generalized application of existing international standards in intellectual property matters;
>
> to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade; and
>
> to clarify and elaborate rules and disciplines with respect to these matters.
>
> Negotiators shall aim to develop multilateral framework principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.
>
> These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.

See 2 NEGOTIATING HISTORY, *supra* note 4, at 2263 n.117.

Similar to language later incorporated into the September 1986 *Ministerial Declaration*, *supra* note 4, the Swiss-Columbian proposal recognized that any action taken under GATT auspices regarding intellectual property rights had to be developed within a context that recognized and made some accommodation for existing international intellectual property regimes outside of GATT.

Proposals drafted by Brazil and Argentina, by contrast, specifically *excluded* intellectual property as a GATT topic. One of the significant distinctions between the two proposals was the treatment of services. Argentina's proposal included services as a topic while Brazil's did not. Thus, even those countries which at least initially agreed that GATT should not be used to deal with intellectual property issues per se could not agree on the precise scope of topics to be included in the Uruguay Round. This lack of agreement would be reflected in future negotiations with shifting blocks of countries who would tie the resolution of intellectual property issues to other, non-intellectual property topics. *See generally* 3 NEGOTIATING HISTORY, *supra* note 4, at 262-64.

"without prejudice to other complementary initiatives that may be taken in WIPO and elsewhere to deal with these matters."[17]

The Negotiating Plan for TRIPS, established January 28, 1987, exhibited the continuing debate regarding the propriety of GATT jurisdiction.[18] The first formal proposal for achieving the negotiating ends under the Negotiating Plan was submitted by the United States on October 16, 1987, and reflected the U.S. view that intellectual property rights protected under GATT should include more than protection against trademark counterfeiting.[19] While not abandoning the issue of protection against trademark counterfeiting under GATT auspices, the U.S. proposal sought the establishment of agreed-upon minimum substantive norms under

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[17] *Id.*

[18] *Decisions of January 28, 1987*, GATT Doc. 1405 (Feb. 5, 1987), *reprinted in* 2 NEGOTIATING HISTORY, *supra* note 4, at 11-25. In the initial stages of negotiation concerning TRIPS, the Negotiating Plan emphasized the need to examine whether GATT could or should be used to resolve intellectual property issues. The Negotiating Plan identified the following steps to be taken during the initial (descriptive) phase of the negotiations:

> 1. Identification of relevant GATT provisions and examination of their operation on the basis of suggestions by participants for achieving the Negotiating Objective and of factual information by the Secretariat as required.
> 2. Initial examination of the specific suggestions and of the procedures and techniques that might be used to implement them.
> 3. Consideration of the relationship between the negotiations in this area and initiatives in other fora.
> 4. Collection of information from relevant sources.

Id. at 22-23. Another topic specifically included in the initial phase of the Negotiating Plan was the examination of the issue of trade in counterfeit goods. Once the initial descriptive negotiating phase was completed, the Negotiating Plan anticipated "further examination of the specific suggestions and of the procedures and techniques that might be used to implement them." *Id.* Tabling of specific texts by interested participants were also anticipated in the second phase. *Id.* Five meetings were held in 1987 during the initial negotiating phase. *Id.* at 2266.

[19] *See* YAMBRUSIC, *supra* note 12, at 88-95; *see also United States Proposal for Negotiations on Trade-Related Aspects of Intellectual Property Rights*, GATT Doc. MTN.GNG/NG11/W/14.

Peru,[30] India,[31] the European Community,[32] Thailand,[33] Mexico,[34] Japan,[35] and Bangladesh.[36] The proposals were as varied as the interests of the proposing parties. However, the major disagreements among the various participants primarily concerned two issues: the jurisdictional role of GATT in the development of international intellectual property norms and procedures and the impact of such norms and procedures on the ability of developing countries to compete effectively in the world market. These fundamental disputes existed at the beginning of the Uruguay Round and formed the backdrop against which all subsequent TRIPS negotiations occurred. The compromises achieved in resolving these disputes are largely responsible for the concerns examined in this Article regarding the effectiveness of the TRIPS Agreement. In order to appreciate fully the decisions reached during the Uruguay Round, it is necessary to understand the broad economic, political, and philosophical concerns underlying this debate.

C. *The Jurisdictional Debate—GATT Or WIPO?*

As noted above, from the initial preparatory work prior to the September 1986 Declaration commencing the Uruguay Round, many developing countries, including Brazil and India, hotly contested the ability or propriety of GATT to establish substantive norms in the area of intellectual property protection. The position of these developing countries was that if there was any need for the development of international norms

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[30] GATT Doc. MTN.GNG/NG11/W/45 *reprinted in* YAMBRUSIC, *supra* note 12, at 183-84.

[31] GATT Doc. MTN.GNG/NG11/W/37 *reprinted in* YAMBRUSIC, *supra* note 12, at 185-87.

[32] GATT Doc. MTN.GNG/NG11/W/26. For the sake of consistency, the term "European Community" or "EC" refers to the actions of those countries which form the "Common Market," since this term was used at the beginning of the Uruguay Round.

[33] GATT Doc. MTN.GNG/NG11/W/27.

[34] GATT Doc. MTN.GNG/NG11/W/29.

[35] GATT Doc. MTN.GNG/NG11/W/43.

[36] GATT Doc. MTN.GNG/NG11/W/50.

behalf of the "Group of 77"[42] challenging the use of GATT to address intellectual property issues:

> The strong international links between economy, science, technology and culture do not exclude other organizations or agreements in their activities to be concerned with the problems of implementing intellectual property rights . . . . However, for legal certainty and comprehensiveness, the competence of WIPO and its direct participation should be maintained since the solution of these problems belongs to the scope of its duties.[43]

By contrast, the developed countries, including the United States, were strongly dissatisfied with efforts to resolve existing copyright issues under WIPO auspices.[44] While developing countries saw WIPO as a generally hospitable forum for their concerns,[45] many developed countries

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[42] The "Group of 77" was organized during the first United Nations Conference on Trade and Development ("UNCTAD") in Geneva in 1965 and is composed of less developed countries. The stated aim of the group was to organize developing countries so that they could speak with one voice, thereby gaining increased negotiating clout. Some commentators, however, viewed the Group of 77 as representative of an ideological split between democracies who put their faith in economic growth and Third World countries who sought a redistribution of wealth to less technologically developed countries. *See, e.g.*, YAMBRUSIC, *supra* note 12, at 10 n.15 (and sources cited therein). This perceived ideological split led the United States and other developed countries to distrust certain fora since developing countries often used discussions at the United Nations, and its specialized agencies such as WIPO, as vehicles for advancing political objectives, including mandatory transfer of technology from the "haves" to the "have nots." *Id.*; *see also* Donald E. deKieffer, *U.S. Trade Policy Reporting Intellectual Property Matters, in* INTERNATIONAL TRADE AND INTELLECTUAL PROPERTY, THE SEARCH FOR A BALANCED SYSTEM 97, 99 (George R. Stewart et al., eds., 1994) [hereinafter deKieffer].

[43] *GATT Negotiating Group Sets Talks This Week on U.S. Proposal, WIPO Will Join Discussion*, 4 INT'L TRADE REP. 1358, 1359 (1987) (quoting East German delegate Joachim Hemmerling); *see also supra* note 10.

[44] *See, e.g.*, Greenwald, *supra* note 5, at 232-33; deKieffer, *supra* note 42, at 98-99.

[45] *See supra* note 42; *infra* note 47.

Much of the debate regarding GATT versus WIPO jurisdiction was largely resolved by 1987, when WIPO was granted observer status in GATT negotiations on TRIPS.[50] Debates regarding the balance to be struck between Berne Convention and non-Berne Convention issues of copyright protection, however, continued to be infected by this underlying jurisdictional debate.

D. *Property Rights, National Interest, And The Access To Technology*

Similar to the debate over GATT jurisdiction, many developing countries challenged any effort by the developed countries to establish TRIPS standards that would adversely affect such countries' ability to utilize copyright protected works to assist in their internal economic growth. Copyrighted works have played a unique role in the development of industrialized nations. From the early days of the printing press to the invention of the CD-ROM and its production and distribution in China in the 1990s, developing countries have often utilized the ability to reproduce and market foreign authors' copyright protected works as the backbone of economic progress.[51] Developing countries generally do not possess a large body of copyrighted works created by their own authors which can be distributed internationally.[52] In the absence of sufficient nationally-created works, such developing nations often use copyrighted works of other nations. Even the United States, in its early days, used its copyright laws in order to protect its nascent publishing industry. In the first century of U.S. copyright law, foreign authors were unable to protect their works from the voracious requirements of the U.S. domestic publishing industry.[53]

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[50] A WIPO representative attended a TRIPS negotiating session for the first time on October 27, 1987. 2 NEGOTIATING HISTORY, *supra* note 4, at 2270 n.54.

[51] *See, e.g.*, Donald E. Saunders, AUTHORSHIP AND COPYRIGHT 154-61 (1992); Robert W. Kastenmeier & David Beier, *International Trade and Intellectual Property: Promise, Risks, and Reality*, 22 VAND. J. TRANSNAT'L. 285, 301-02 (1989).

[52] *See, e.g.*, Staback, *supra* note 41, at 521 n.17.

[53] *See supra* note 51.

to deal with intellectual property rights, continued to insist that a distinction be drawn between border enforcement of intellectual property rights, which India supported, and internal enforcement norms and procedures, which it argued should *not* be impacted by GATT. In India's view, the only role that GATT should or could play in the debate over internal enforcement of intellectual property rights was to establish general procedural principles, such as the need for "simple, effective and adequate enforcement procedures

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developed and developing countries with regard to the desirability of an international norm for intellectual property rights protection when it stated: "Given the restrictive and monopolistic nature of intellectual property rights, it is essential that all countries should be able to adjust their protective systems to their national development programmes and ensure the transfer of technology from countries that are advanced in that field." *Id.* at 183. As a result of this "hostile" view to intellectual property rights protection, Peru proposed the following negotiating guidelines (among others):

> (a) To strike a balance between the encouragement of creativity, adequate protection and the attainment of economic and social development objectives and needs;
> (b) To increase the real and effective transfer of technology and the flow of scientific knowledge towards the developing countries;
> (c) To avoid the emergence or development of further new barriers to the circulation of scientific knowledge and technological knowledge; and
> (d) To maintain the State's sovereign right to regulate its national system of protection in accordance with development objectives.

Id.

Mexico echoed other developing nations' concerns when it stated: "The negotiating objective regarding the improvement of intellectual property rights should not become a barrier to access by developing countries to technologies produced in developed countries." 2 NEGOTIATING HISTORY, *supra* note 4, at 2267 n.140 (quoting *Statement Made by the Delegation of Mexico at the Meeting of 17, 18, and 21 October 1988*, 2, GATT Doc. MTN.GNG/NG11/W/30 (Oct. 19, 1988)). The Mexican proposal went on to stress that "any results obtained in this Group would necessarily have to include more flexible elements for the use of such technology by developing countries, since countries with different levels of development could not respond in the same way to each of the trade and intellectual property aspects." *Id.* at 2268 n.140.

South" debates),[61] debates regarding the scope of acceptable substantive norms under TRIPS (once agreement was reached that some substantive norm should be established under GATT) generally occurred among the developed nations. These so-called "North-North" debates[62] were often as hotly contested as the North-South debates and represented an effort by various developed countries or groups of countries, such as the United States, Japan, and the European Community, to establish GATT norms that closely resembled their own internal intellectual property systems. The debate regarding the scope of protection for copyrighted works under TRIPS generally focused on protection for moral rights, for neighboring rights, for computer software and databases, and provisions for compulsory licensing and rental rights.

1. Moral Rights[63]

The right of an author to protect the integrity and patrimony of his or her creative work, in those countries which recognize such moral rights, arise not from his or her right to receive an economic benefit from the exploitation of the created work, but from the moral or natural right to protect the creative value of the work. The existence of these inalienable moral rights, which exist independent of any economic right, are recognized and required in Article *6bis* of the Berne Convention.[64] Despite U.S.

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[61] 2 NEGOTIATING HISTORY, *supra* note 4, at 2287.

[62] *Id.*

[63] The term "moral rights" is used to refer to the inalienable rights that an author has to protect the integrity of a copyrightable work. Included among an author's moral rights are the right to be known as the author of the work ("right of paternity") and the right to prevent others from making changes which adversely affect the author's reputation ("right of integrity"). *See* 17 U.S.C.A. § 106A (West Supp. 1995).

[64] Article *6bis* states: "Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation." Berne Convention, *supra* note 40, art. *6bis*.

rights: to phonogram[70] producers the right to "authorize or prohibit the direct or indirect reproduction of their phonograms,"[71] to "broadcasting organizations" the right to authorize or prohibit . . . the rebroadcasting of their broadcasts,"[72] and to performers the right to prevent the unauthorized fixation and/or reproduction and/or broadcast and "communication to the public" of their unfixed performances.[73] The United States is not a signatory to the Rome Convention and took the position in its original draft TRIPS proposal that such rights should not be incorporated since relatively few nations had acceded to the Convention.[74] By contrast, the proposals of the Nordic States, the European Community, and the Swiss stressed the need for the protection of both performer and broadcast rights.[75]

3. Protection Of Computer Software And Databases

Most developing nations did not dispute the propriety of protecting computer software under TRIPS. The United States, Japan, the Nordic States, and the European Community, in their drafts, all advocated the protection of computer software as a "literary work" under the Berne Convention. Therefore, in their view, computer software was entitled to copyright protection under TRIPS. Differences in treatment arose, however, in connection with the scope of any exceptions to be granted. The United States, for example, preferred no exceptions and included in the category of protected software "databases of protected or unprotected material or data

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[70] "[P]honogram" is defined as "any exclusively aural fixation of sounds of a performance or of other sounds." *Id.* art. 3(b). This term is roughly equivalent to the term "phonorecord" which appears in the 1976 Copyright Act, as amended, and refers generally to records, compact discs, and other material objects in which sounds are fixed. *See also infra* note 94. Since the term "phonogram" is used in TRIPS, it has been used throughout the Article to refer to fixations of sounds.

[71] *Id.* art. 10.

[72] *Id.* art. 13.

[73] *Id.* art. 7.

[74] As of January 1991, only thirty-five states had adhered to the Rome Convention.

[75] *See, e.g.*, YAMBRUSIC, *supra* note 12, at 117-18, 163.

contrast, could recover from the author's fund, the fund for performers, and the fund for French videogram producers. The United States objected to any exception to national treatment that would allow such discriminatory licensing schemes to remain unchallenged.[80]

The United States also objected to any provision that would allow for the rental of copyrighted phonorecords. Under U.S. copyright law, phonorecords may not be rented or otherwise distributed without the permission of the copyright owner.[81] By contrast, Japan permits the unrestricted rental of phonorecords. Japanese law allows Japanese companies to ban rentals during the first year but allows no such ban by foreign record companies.[82] The United States sought a standard in TRIPS identical to its own laws, which would prohibit commercial rental of phonorecords without the copyright owner's permission.

III. THE TRIPS AGREEMENT: VICTORY AND COMPROMISE

The divergence of views represented by the jurisdictional and substantive debates discussed above appeared at times to preclude an agreement regarding the treatment of trade-related intellectual property rights in the Uruguay Round. Although a detailed discussion of the negotiating history is beyond the scope of this Article, throughout the negotiations TRIPS remained one of the politically sensitive issues. Contrary to expectations, although disagreements between developed and developing countries continued throughout the negotiating sessions, as noted above, strong disagreements also arose among developed countries regarding the scope of substantive rights to be protected. TRIPS negotiations were often suspended while TRIPS was linked with various other GATT trade issues. Consequently, a final agreement on TRIPS was not reached until late in

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[80] *See, e.g.*, YAMBRUSIC, *supra* note 12, at 104; 2 NEGOTIATING HISTORY, *supra* note 4, at 2280-81.

[81] Originally, only phonorecords were subject to exemption under the first sale doctrine codified in 17 U.S.C. § 109. The prohibition against rental of copyrighted works has subsequently been extended to include computer software. *See* 17 U.S.C. § 109(b) (1994).

[82] *See* 2 NEGOTIATING HISTORY, *supra* note 4, at 2281.

of operation or mathematical concepts as such."[87] TRIPS also extends the copyright term for all works calculated on a basis other than the life of a natural person to "no less than fifty years."[88] This fifty-year term is to be marked either from the end of the calendar year of authorized publication of the work or, where no such authorized publication occurs, within fifty years from the "making" of the work, measured from the end of the calendar year of its "making."[89]

1. Protection Of Computer Software And Databases

In addition to extending protection to the "literary and artistic" works protected under the Berne Convention,[90] TRIPS specifically includes computer programs as protected expression, "whether in source or object code."[91] Such programs are to be considered as literary works under Berne. In addition, the U.S. proposal to protect "compilations of data or other

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[87] *Id.* art. 9(2).

[88] *Id.* art. 12.

[89] *Id.*

[90] Article 2 of the Berne Convention includes in its definition of "literary and artistic works . . . every production in the literary, scientific, and artistic domain whatever may be the mode or form of its protection." Berne Convention, *supra* note 40, art. (2)(1). Among the enumerated works included in this definition are:

> books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatic-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science.

Id.

[91] TRIPS, *supra* note 1, art. 10(1).

remuneration for right holders in force as of April 15, 1994 (the date of the Ministerial Meeting concluding the Uruguay Round) may be maintained so long as such system "is not giving rise to the material impairment of the exclusive rights of reproduction of right holders."[98]

3. Neighboring Rights

Neighboring rights under TRIPS receive fairly extensive protection. Performers have the right to prohibit the unauthorized fixation and broadcast "by wireless means" and "communication to the public" of their live performances.[99] They also have the right to prevent the reproduction of bootleg recordings of such performances.[100] These rights last "at least until the end of a period of fifty years computed from the end of the calendar year in which the unauthorized fixation was made or the performance took place."[101] Producers of phonograms are expressly given the right to control the "direct or indirect reproduction of their phonograms."[102] This right similarly lasts for fifty years from the end of the calendar year in which the performance took place or the fixation occurred.[103] In addition, broadcasting organizations have the right to prohibit the unauthorized fixation, reproduction, or rebroadcast "by wireless means" of their broadcasts. They also have the right to prohibit the unauthorized "communication to the public of such television broadcasts."[104] These rights last for twenty years from the end of the calendar year in which the broadcast took place.[105]

Any rights granted by member nations to performers, producers, and broadcasting entities under TRIPS may provide for "conditions, limitations,

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[98] TRIPS, *supra* note 1, art. 14(4).

[99] *Id.* art. 14(1).

[100] *Id.*

[101] *Id.* art. 14(5).

[102] *Id.* art. 14(2); *see supra* note 95.

[103] *Id.* art. 14(5).

[104] TRIPS, *supra* note 1, art. 14(3).

[105] *Id.* art. 14(5).

time limits or unwarranted delays."[111] Decisions on the merits must be made available to the parties "without undue delay"[112] and must be "based only on evidence in respect of which parties were offered the opportunity to be heard."[113]

TRIPS does not require members to establish a separate judicial system for the enforcement of intellectual property rights.[114] It does, however, require that defendants be given "timely" written notice of claims against them and that such notice "contain[] sufficient detail, including the basis of the claims."[115] Representation by independent legal counsel,[116] the right to "substantiate . . . claims and to present all relevant evidence,"[117] and protection of confidential information (so long as such protection does not contravene "existing constitutional requirements") are mandated.[118] Moreover, TRIPS requires the availability of the right to injunctive relief;[119] the right to infringement-preventing provisional measures including blocking infringing or pirated imported goods "immediately after customs clearance from entry into commerce;"[120] the right to "prompt and effective provisional" measures to preserve "relevant evidence;"[121] the right to money damages "adequate to compensate for the injury the right holder has suffered because of an infringement of his intellectual property right by an

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[111] *Id.*

[112] *Id.* art. 41(3).

[113] *Id.*

[114] *Id.* art. 41(g).

[115] TRIPS, *supra* note 1, art. 42.

[116] *Id.* art. 42.

[117] *Id.*

[118] *Id.*

[119] *Id.* art. 44.

[120] *Id.*

[121] *Id.* art. 50(1)(b).

sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of corresponding gravity."[129]

B. *An Accommodation For Developing Nations*

As noted above, probably the most important accommodation reached was the acceptance by developing nations of the establishment in GATT of minimum copyright protection standards. This compromise, however, was counterbalanced in large part by Article 66 of TRIPS, which exempted least developed country members from the TRIPS obligations for a period of ten years from the "date of application" of the Agreement.[130] Article 65(1) defines the "date of application" as one year after the date of entry into force of the Agreement establishing the WTO.[131] Since the date of entry into force is January 1, 1995, the earliest that any least developed country will be required to comply with TRIPS, including its substantive copyright protection provisions, is January 1, 2006. In addition, under Article 65 of TRIPS, any "developing country Member" or any member "in the process of transformation from a centrally-planned into a market, free-enterprise economy and which is undertaking structural reform of its intellectual property system and facing special problems in the preparation and implementation of intellectual property laws" is entitled to a four year

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[129] TRIPS, *supra* note 1, art. 61.

[130] *Id.* art. 67. Least developed member countries, however, were not exempted from complying with Article 3 (requiring national treatment with regard to intellectual property protection), Article 4 (requiring most favored nation treatment with regard to any "advantage, favour, privilege or immunity granted by a Member to the nationals of any other country") or Article 5 (specifically excepting the obligations under Articles 3 and 4 to procedures provided in multilateral agreements relating to the maintenance or acquisition of intellectual property rights concluded under WIPO auspices). For purposes of Articles 3 and 4, "protection" is defined as including "matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement." *Id.* art. 3 n.3.

[131] *Id.* art. 65(1). The Agreement establishing the WTO was signed in Marrakesh, Morocco on April 15, 1994. The Marrakesh Declaration established the date of entry into force as January 1, 1995.

economic rights. Similarly, TRIPS recognizes that members may limit or restrict the exclusive rights granted under the Agreement in certain ways, thus accommodating the public policy concerns of the developing nations. Although Article 13 requires that any such limitations or restrictions be confined "to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder,"[138] the phrases "normal exploitation" and "legitimate interests of the right holder" are not defined. Thus, it is an open question to what extent such practices as the French video levy or other compulsory licensing schemes will be found to violate the Agreement.

C. *The Uruguay Round Agreements Act*

On December 8, 1994, the Uruguay Round Agreements Act ("URAA"), was signed into U.S. law.[139] Its purpose was to approve and implement "the trade agreements [concluded in] the Uruguay Round of multilateral trade negotiations."[140] The URAA authorized the President to accept the Uruguay Round Agreements "[a]t such time as the President determines that a sufficient number of foreign nations are accepting the obligations of the Uruguay Round Agreements . . . to ensure the effective operation of, and adequate benefits for the United States under, those Agreements."[141] By proclamation, the Uruguay Round Agreements entered into force for the United States on January 15, 1995.[142] Title V of the URAA implements the changes in U.S. law mandated by TRIPS.[143] The major

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[138] *Id.* art. 13.

[139] Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994) (codified in scattered titles and sections of U.S.C.) [hereinafter URAA].

[140] *Id.* § 101 (codified at 19 U.S.C.A. 3511(b) (West Supp. 1995)).

[141] *Id.* § 101(b).

[142] By proclamation, President Clinton accepted the Agreement and determined that it entered into force on January 1, 1995. Proclamation No. 6780, 60 Fed. Reg. 15,845 (1995).

[143] *See* URAA, *supra* note 139, §§ 501-534. As noted below, several provisions of TRIPS contain ambiguous language regarding the precise scope of duties required by a member. Although Congress assumed that

copyright in computer programs will have a permanent right to control the subsequent rental of lawful copies of their programs for the life of the copyright.

Existing exemptions from the Computer Software Rental Amendments Act, however, remain unchanged. Thus, for example, computer programs which are "embodied in a machine or product and which cannot be copied during the ordinary operation or use of the machine or product" remain outside the scope of the rental rights granted software copyright owners.[147] Similarly, computer programs "embodied in or used in conjunction with a limited purpose computer that is designed for playing video games and may be designed for other purposes" also continue to remain subject to the first sale doctrine.[148]

Although the URAA expanded the scope of U.S. computer software rental rights, no such revision was enacted to provide rental control to right holders in cinematographic works. Instead, relying upon the TRIPS opt-out provision for rental rights in cinematographic works,[149] Congress found that "the rental of motion pictures has not caused a widespread problem of copying in the United States,"[150] and it elected not to exempt the rental of videocassettes and other cinematographic works from the first sale doctrine.[151]

2. Anti-Bootleg Protection

In accordance with Article 14 of TRIPS, sections 511 and 512 of the URAA establish civil and criminal penalties under federal law for the

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[147] 17 U.S.C.A. § 109(b)(1)(B)(i) (West Supp. 1995).

[148] *Id.* § 109(b)(1)(B)(ii).

[149] *See* TRIPS, *supra* note 1, art. 11; *supra* part II.A.2.

[150] SENATE COMM. ON FINANCE, COMM. ON AGRICULTURE, NUTRITION & FORESTRY, AND COMM. ON GOVERNMENTAL AFFAIRS, REPORT ON URUGUAY ROUND AGREEMENTS ACT, S. REP. NO. 412, 103d Cong., 2d Sess. tit. V, at 2 (1994) [hereinafter REPORT ON URAA].

[151] In supporting its decision, Congress found that the absence of such widespread copying made "rental rights for motion pictures . . . unnecessary." *Id.*

of the "sounds *or* sounds and images of a live musical performance."[156] Because of the importance which state law has played in blocking bootlegging, section 512 provides that the Act's anti-bootlegging provisions do not preempt any rights or remedies available under state common or statutory law.[157]

The URAA also establishes criminal penalties for bootlegging. Section 513 adds a new section 2319A to Title 18. It provides that anyone who, "without the consent of the performer or performers involved, knowingly and for purposes of commercial advantage or private financial gain," fixes, transmits or otherwise communicates to the public, distributes, or trafficks in unauthorized copies of such live musical performances "shall be imprisoned for not more than 5 years or fined . . . or both" for a first offense.[158] For any subsequent offense, violators shall be imprisoned for "not more than 10 years or fined . . . or both."[159] The definitions of unauthorized acts under section 513 mirror those of section 512, including the provision that fixation does not have to occur in the United States.[160]

In addition to direct criminal penalties of fine and/or imprisonment, upon conviction the Act requires mandatory forfeiture and destruction of any infringing copies, as well as "any plates, molds, matrices, masters, tapes and film negatives by means of which such copies or phonorecords may be

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[156] *Id.* (emphasis added).

[157] *Id.* Section 301 of the 1976 Copyright Act provides that "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright . . . and come within the subject matter of copyright . . . are governed exclusively by [Title 17]." 17 U.S.C. § 301(a) (1994). In order to avoid any confusion regarding whether the new anti-bootlegging statute is intended to preempt state protection schemes, section 512 expressly provides that "nothing in this section may be construed to annul or limit any rights or remedies under the common law or statutes of any State." URAA, *supra* note 139, § 512.

[158] URAA, *supra* note 139, § 513(a) (codified at 18 U.S.C.A. § 2319A(a) (West Supp. 1995)).

[159] *Id.*

[160] *Id.* (codified at 18 U.S.C.A. § 2319A(a)(3)).

is intended that the legislation will not apply in cases where First Amendment principles are implicated."[167] In its report, the Senate cited as examples of exempt use "where small portions of an unauthorized fixation of a sound recording are used without permission in a news broadcast or for other purposes of comment or criticism."[168] While de minimis uses for the purposes of news broadcast or comment may be the clearest examples of potential First Amendment conflict, the exemption should not be so narrowly construed.

3. Copyright Restoration

The change which may have the greatest impact on the U.S. domestic market for copyrighted works is the restoration of copyright protection to certain foreign works currently in the public domain. Article 18 of the Berne Convention requires that the terms of the Convention apply to all works that have fallen into the public domain for reasons other than expiration of their term of copyright.[169] Although the United States acceded to the Berne Convention in 1989, it never enacted legislation to implement Article 18. Reconsideration of compliance with the Berne Convention in light of TRIPS (and possibly in light of the potential for sanctions under GATT for failure to comply with these provisions) led Congress to enact section 514 of the URAA. This section restores copyright protection to qualifying works of

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added), supports this interpretation. Consequently, since the anti-bootlegging provisions of the URAA do not arise under the Copyright Clause, the right of "fair use" codified in Section 107 of the 1976 Copyright Act, as amended, 17 U.S.C. § 107 (1994), and the statutory preemption under Section 301 of the 1976 Copyright Act as amended, 17 U.S.C. § 301, do not apply. The sounds and images of a live musical performance, however, may qualify as "speech" under the First Amendment and be subject to its requirements.

[167] REPORT ON URAA, *supra* note 150, at 3.

[168] *Id.* One scholar has challenged the application of a First Amendment exception. PATRY, *supra* note 166, at 17 n.59. However, the application of First Amendment protection does not depend upon whether or not the anti-bootlegging statute arises under the Copyright Clause but on whether the performance qualifies as protectable speech.

[169] Berne Convention, *supra* note 40, art. 18.

February 15, 1972 (when sound recordings were first granted protection under United States copyright laws),[174] or because works from the source nation were ineligible for copyright protection due to the absence of a binding treaty obligation with the United States. ("lack of national eligibility").[175] Finally, no work will qualify for restoration of copyright protection unless at least one author or right holder in the work, at the time the work was created, was a national or domiciliary of a nation eligible for copyright protection, the work was first published in such eligible nation, and the work was *not* published in the United States within thirty days of the date of any such publication.[176] Those countries whose citizens' works are eligible for copyright restoration include Berne Convention countries, WTO countries, and any subsequent countries with whom the United States enters into a similar agreement regarding copyright protection.[177] Copyright ownership in a restored work vests initially in the author or in the initial right holder as determined by the law of the source nation.[178]

The restoration of copyright protection for eligible works is automatic under the Act.[179] The restored rights are limited, however, as against third parties who, during the period when the work was in the public domain in the United States, in reliance on the work's public domain status, made such use of the work as would constitute copyright infringement if the work had not been in the public domain. Among the types of uses which could qualify as a "reliance" use are reproduction or distribution of copies of the work or the creation of derivative versions of the work. If the owner or right holder in a restored work seeks to enforce its rights against such "reliance party," notice of the intent to rely on newly restored rights must be provided prior

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[174] *Id.*

[175] *Id.*

[176] *Id.*

[177] *Id.* (codified at § 104A(h)(3)). Any work in which the copyright was ever owned by the alien property custodian and in which the restored copyright would be owned by a government or governmental instrumentality, however, is not subject to restoration under the Act. *Id.* (codified at § 104A(a)(2)).

[178] *Id.* (codified at § 104A(b)).

[179] *Id.* (codified at § 104A(a)).

Those foreign authors and right holders who intend to rely upon their restored rights under the Act must file their notice of reliance within twenty-four months of the date of restoration of the copyright in the work.[184] (No later than January 1, 1998 for current members of WTO or the Berne Convention.) Such notices can be filed either by the copyright owner, an owner of any of the exclusive rights granted under U.S. copyright law,[185] or their respective agents.[186] Agents, however, must be appointed in a written document signed by the owner or right holder prior to the filing of the reliance notice.[187]

In order to provide those parties who relied upon the public domain nature of the work an opportunity to recoup their investment, the URAA gives reliance parties a one-year period, from the date of either publication of the reliance notice or actual service of a notice of intent to rely, during which the reliance party may continue to use or sell off copies of the restored work.[188] Reproduction of the work for the creation of new unauthorized derivative versions, however, is precluded once notice of reliance has been given.[189]

Because the one-year sell-off period might be inadequate to permit those reliance parties who used a restored foreign work to create a derivative

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[184] *Id.* (codified at § 104A(d)(2)(A)(i)).

[185] These five rights include: the right to reproduce the work, the right to prepare derivative versions, the right to distribute copies of the work publicly, the right to perform the work publicly, and the right to display the work publicly. 17 U.S.C. § 106 (1994).

[186] URAA, *supra* note 139, § 514 (codified at 17 U.S.C. § 104A(e)(1)).

[187] *Id.* (codified at § 104A(e)(2)). Similarly, notices actually served upon reliance parties may be served by appointed agents for the copyright owner or right holder; however, such appointment must be set forth in a signed writing executed prior to the date of service of such notice. *Id.* (codified at § 104A(d)(2)).

[188] *Id.* (codified at § 104A(d)(2)).

[189] *Id.* Such notice can be given constructively through filing a notice with the Copyright Office or through actual notice delivered to the reliance party.

had been protected in the United States.[195] Once copyright has been restored in a given work, foreign authors and right holders can generally obtain full remedies under the Copyright Act for any infringing acts which occur *after* the date of copyright restoration for the work.[196] Where a reliance party has been using the work prior to the date of restoration, the foreign author or right holder can also obtain full remedies for any new unauthorized reproduction of the restored work which occurs after receipt (either constructive or actual) of a reliance notice.[197] For all other infringing acts by a reliance party which occur post-restoration, relief is limited to acts occurring *after* the twelve-month period from the date of service or filing of the reliance notice.[198]

IV. THE ILLUSORY PROMISE OF GATT?

Although the signing of the Uruguay Round Agreements and the establishment of the WTO have generally been touted as "good thing[s] . . . setting worldwide minimum standards for enforcement of intellectual property protection,"[199] the strength of copyright protection afforded under TRIPS has necessarily been diluted due to the compromises reached in achieving a negotiated agreement. Thus, although TRIPS appears to provide certain improvements in substantive copyright standards, copyright owners should not rely upon these as the ultimate solution to their international protection problems. To the contrary, some of the compromises reached during TRIPS pose a definite, if immeasurable, threat to many of the gains achieved.

Perhaps the greatest threat to the promise of TRIPS lies in the compromises regarding the ability of developing and least developed nations to continue to use copyrighted works outside of TRIPS strictures.

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[195] *Id.* (codified at § 104A(a)(1)(B)).

[196] *Id.* (codified at § 104A(d)(2)).

[197] URAA, *supra* note 139, §514 (codifed at § 104A(d)(2)(A)(ii)(III)).

[198] *Id.* (codified at § 104A(d)(2)).

[199] *GATT: The U.S. Signs Away Its Freedom to Act in IP Disputes*, 46 MANAGING INTELL. PROP., Feb. 1995, at 5 (statement of Bruce MacPherson of International Trademark Association).

have no obligation to abide by the minimum standards established under the Convention. Moreover, even status as a Berne Convention member does not assure that a country will necessarily adhere to established minimums. In the absence of enforcement mechanisms similar to those established under the Uruguay Round Agreements, there is no guarantee that adhering countries will actually comply with the standards set under Berne. Without the obligation of complying with the substantive norms of TRIPS, the promise of stronger international copyright protection may remain illusory for quite a while after accession.

Even in those countries which make genuine efforts to comply with the strictures of TRIPS, copyright protection remains uncertain. Like the Berne Convention, protection under TRIPS is premised on national treatment.[203] Thus, such critical issues as the treatment of non-literal copying and the scope of protection to be afforded new rights not covered by the Berne Convention remain subject to the vagaries of national treatment.[204] Although one of the most significant developments under TRIPS is the establishment of minimum procedural norms for the enforcement of copyright,[205] such procedural norms are to be included within the structure of a member's existing judicial system. Thus, procedures for protecting copyright will remain inconsistent even after TRIPS.

Although TRIPS requires members to establish "fair and equitable" procedures for enforcing their intellectual property rights,[206] Article 44(2) permits members to limit the remedies available against unauthorized use to "adequate remuneration."[207] Thus, instead of being assured the right to injunctive relief, foreign copyright owners may instead find their works subject to compulsory licenses. Furthermore, since TRIPS does not establish a clear standard for determining what constitutes "adequate" compensation,

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[203] TRIPS, *supra* note 1, art. 3.

[204] The only exception is the expressly stated inclusion under TRIPS of computer software as a covered "literary work" under the Berne Convention. *Id.* art. 10.

[205] *See supra* part II.A.4.

[206] TRIPS, *supra* note 1, art. 41(2).

[207] *Id.*

protectability,[212] Article 10 does not specify the degree to which such selection must be original or innovative. Thus, a database in one country might be considered sufficiently original to be subject to protection and yet, consistent with TRIPS, be denied protection in another country because that country has a higher originality standard for copyright protection.

In the commercial rental rights area, TRIPS introduces the question of materiality in determining copyright protection. Under Article 11, cinematography right holders do not have to be provided exclusive rental control if the absence of such rights has not been "materially impairing" of the exclusive right of reproduction.[213] No standard for determining what constitutes "material impairment," however, is provided. Similarly, no standard is provided for determining whether a computer program is "the essential object" of a rental and therefore outside the scope of commercial rental rights requirements under TRIPS.[214]

Perhaps the most problematic aspect of the ambiguity in TRIPS is the requirement under Article 48 of indemnification to defendants when enforcement procedures have been "abused."[215] There is no definition of what constitutes "abuse" or even a list of factors to be considered in determining when a particular process has been abused. Since many of the recent problems in international copyright protection arise from a country's failure to enforce its existing laws,[216] Article 48 has the potential to be a true innovation in the area of international copyright protection. The impact of

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[212] *Id.*

[213] TRIPS, *supra* note 1, art. 11.

[214] *Id.*

[215] *Id.* art. 48.

[216] *See, e.g.*, Kathy Chen, *China Makes Concessions, Averts Trade War With U.S.*, WALL ST. J., Feb. 27, 1995, at A2; David E. Sanger, *Japan's Ghost in China Pact*, N.Y. TIMES, Feb. 27, 1995, at D1, D6; Seth Faison, *U.S. and China Sign Accord to End Piracy of Software, Music Recordings and Film*, N.Y. TIMES, Feb. 27, 1995, at A1.

developed countries. At a minimum, this waiver delays the promise of TRIPS. At its worst, it imposes on developed countries an obligation to encourage a transfer of technology when its owners have little assurance that their rights will be protected. The ambiguities contained in the agreement, including the absence of standards for critical issues such as "abuse" of process and "adequate compensation," the failure to resolve the problems of inconsistent national treatment, and the acceptance of exceptions to TRIPS protection for purposes of promoting "socio-economic and technological development" similarly undermine the promise of TRIPS.

It is too early to predict with any degree of certainty the extent to which the compromises and ambiguities in TRIPS have turned its promise of stronger international copyright protection into an illusion. Given the lack of certainty regarding the actual impact TRIPS may have on the immediate problem of international copyright infringement, copyright owners should be prepared for disappointment. TRIPS is not the complete solution to their problems. In sum, although TRIPS has too many flaws and compromises to usher in the anticipated "new era of protection," its imperfect promise of protection is not wholly illusory but represents a useful first step.

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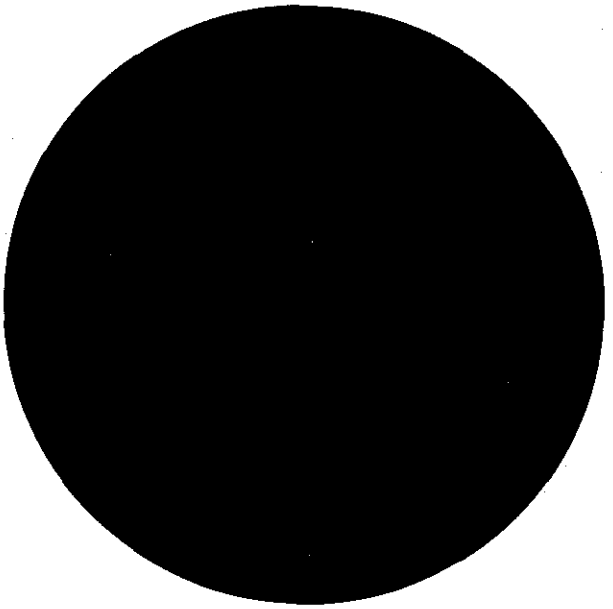

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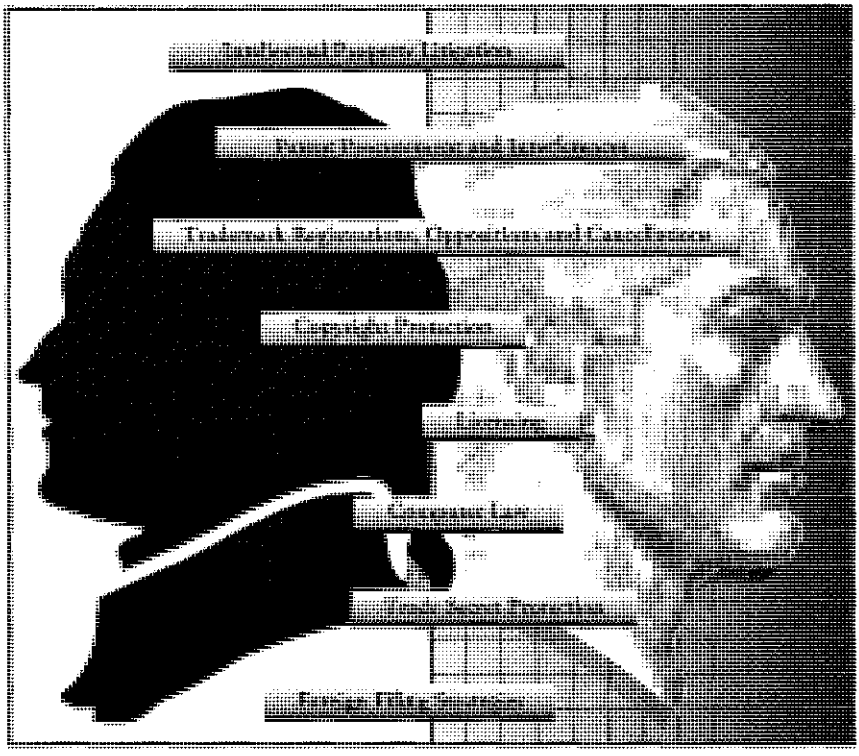

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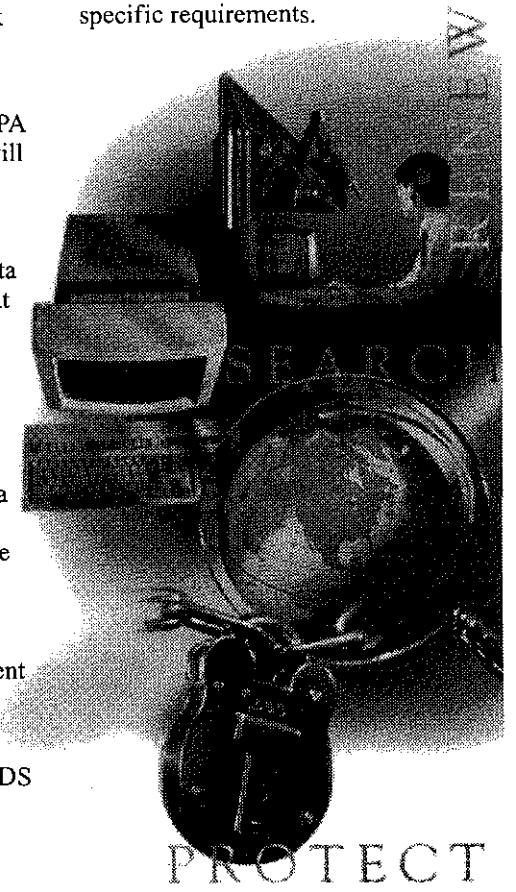

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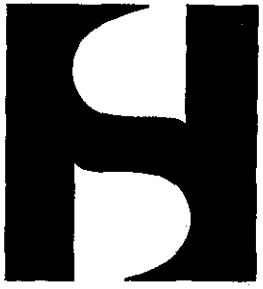

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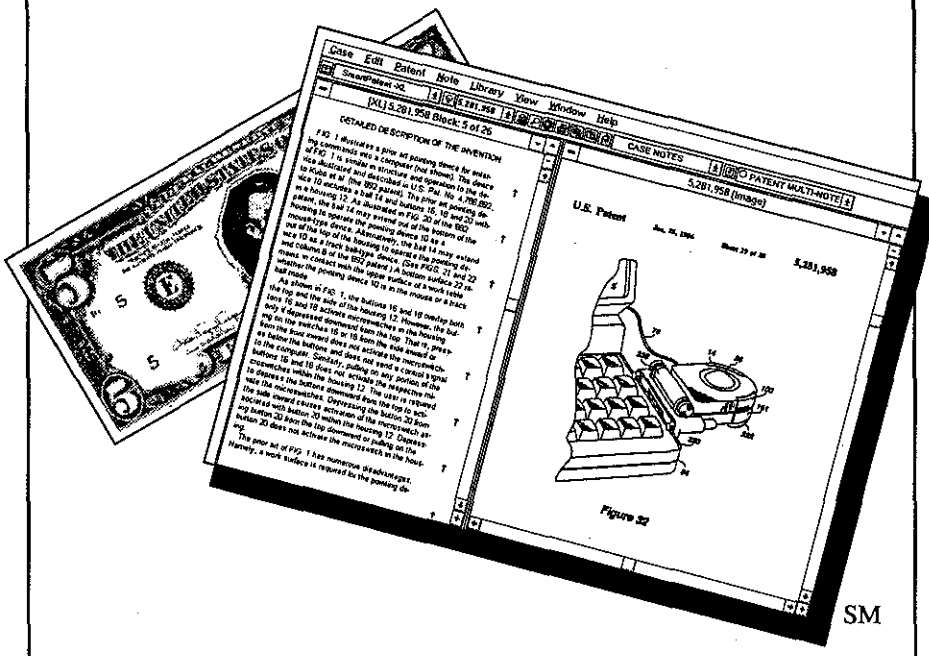

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this innovation, however, is unquestionably diminished by the absence of clear standards or guidance.[217]

V. CONCLUSION

Despite its flaws, TRIPS represents the first time that international substantive copyright norms have been combined with international procedural norms. It also represents the first time that international copyright norms have been married to an enforcement mechanism that has the potential for assuring a degree of compliance by parties to the agreement. With over 110 nations as signatories, TRIPS has the potential to usher in a new era of stronger copyright protection on a global scale. Whether TRIPS will actually create this new era, however, remains doubtful.

Since the present global economy is largely divided between developed and developing countries, with their conflicting views of the role international standards should play in regulating a nation's internal use of copyrighted works, any international copyright protection norm, to be effective, must necessarily represent a middle ground between these competing interests. It is axiomatic that no international agreement can be effective unless a sufficient number of countries agree to be bound by its provisions. Without the diverse compromises contained in TRIPS, it is impossible to judge whether so many developing countries would have agreed to be bound by it. Despite the probable necessity for at least some of these compromises, they have undeniably diluted the strength of copyright protection under TRIPS.

The greatest threat to the new era of protection promised by TRIPS lies in the compliance waiver granted to developing and least developed countries and the concomitant technology transfer requirements imposed on

[217] Although a discussion of the settlement dispute mechanism under the Uruguay Round Agreements is beyond the scope of this Article, there is another potentially negative impact TRIPS may have on international protection for U.S. copyright owners. Since the Uruguay Round Agreements basically obligate the United States to submit intellectual property protection disputes between members to WTO settlement procedures, it is possible that the use of Special 301 actions, which have proved useful in the past in obtaining compliance with certain recalcitrant nations, will be curtailed. It remains to be seen whether this concern is a realistic one.

there is no guarantee of any particular equivalency between the recovery provided and the actual economic loss suffered by the unauthorized use in question.

TRIPS specifically acknowledges a member's right to establish limitations on and exceptions to a copyright owner's exclusive rights.[208] Although such limitations and exceptions may not "unreasonably prejudice the legitimate interests of the right holder,"[209] it is not clear that exceptions based upon a member's national interest in developing a certain industry would violate TRIPS. To the contrary, since Article 8 recognizes that in formulating or amending their national laws and regulations, "Members may . . . adopt measures necessary . . . to promote the public interest in sectors of vital importance to their socio-economic and technological development,"[210] such measures may well be enforceable particularly if some limited form of compensation to the copyright holder is provided.

Finally, even for those members which genuinely attempt to comply with the TRIPS requirements, copyright owners and right holders cannot be assured of uniform treatment since many of the substantive copyright provisions lack clarity. For example, in connection with the protection of computer databases, Article 10(2) provides that only those databases which constitute "intellectual creations" must be protected.[211] The term "intellectual creation" is not defined. Although Article 10(2) further indicates that "selection and arrangement" are to be considered in determining

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[208] *Id.* art. 13.

[209] *Id.*

[210] *Id.* art. 8(1). Any such measures, however, must be "consistent with the provisions of the Agreement." *Id.* Similarly, Article 7 of TRIPS expressly provides:

> The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and *in a manner conducive to social and economic welfare*, and to a balance of rights and obligations.

Id. art. 7 (emphasis added).

[211] *Id.* art. 10(2).

Under Article 65, developing countries can obtain a four-year compliance waiver.[200] More significantly, least developed countries can obtain a ten-year waiver.[201] While these countries are excused from complying with the international copyright standards established under TRIPS, there is no similar waiver of the obligation on developed countries under Article 66(2) to provide technical assistance including providing "incentives" to their own intellectual property owners to transfer "technology" to such countries.[202] Theoretically, therefore, even though a developing country is not required to protect a foreign owner's copyright in a computer program, a developed member country is required to encourage the transfer of such technology if that program constitutes "technology," even though the foreign owner's rights may be infringed.

Technological innovations occur so frequently and with such rapidity that yesterday's new discovery is today's old news. The evanescence of technology, however, increases the potential harm to copyright owners of presently desirable technology since such owners will never be able to recoup the economic losses suffered as a result of the waiver of protection granted developing countries. Furthermore, since developing countries are often the most frequent violators of copyright, TRIPS has actually provided a relatively lengthy exemption precisely to those nations whose disregard for intellectual property laws initially created the need for stronger international protection standards.

The exemption from TRIPS requirements does not relieve developing countries from any other intellectual property treaty obligations which they may have. Thus, an exemption from meeting the copyright protection standards of TRIPS does not excuse a developing nation from meeting obligations under the Berne Convention, if that country is a signatory to the Convention. Since TRIPS relies primarily upon Berne Convention minimums for copyright protection norms, the harm of the ten-year exemption may be somewhat mitigated. Before developed countries take a great deal of comfort from this fact, it should be remembered that many developing nations have not agreed to the Berne Convention, and therefore

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[200] TRIPS, *supra* note 1, art. 65.

[201] *Id.* art. 66(1).

[202] *Id.* art. 66(2).

work an opportunity to recoup their investment,[190] Congress granted such parties the continued right to use the derivative work for the duration of the restored copyright so long as "reasonable compensation" is provided to the restored copyright owner.[191] Where the foreign right holder and the reliance party fail to reach an agreement regarding the amount of compensation, district courts have the power to set an acceptable compensation standard. In determining the amount of such compensation, courts are directed by the Act to consider both the "harm to the actual or potential market for or value of the restored work from [its] continued exploitation" by the reliance party and the appropriate level of compensation for the "relative contributions of expression" of the author of the restored work and the author of the derivative work.[192]

In addition to providing investment recoupment opportunities for reliance parties, the URAA also protects them from potential breach of warranty and breach of contract claims based on restored copyrights. Any warranties, promises, or guarantees that a work "does not violate a [copyright owner's] exclusive right" shall not be considered breached "by virtue of the restoration of copyright" so long as such warranty, promise, or guarantee was made before January 1, 1995.[193] Similarly, no party can be required to perform any act which would be infringing "by virtue of the restoration of copyright" where an obligation to perform such an act was undertaken prior to January 1, 1995.[194]

Copyright protection in any restored work lasts only for the remainder of the term of copyright that the work would have enjoyed if it

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[190] REPORT ON URAA, *supra* note 150, at 3.

[191] URAA, *supra* note 139, § 514 (codified at § 104A(d)(3)). Due to a drafting error, the right to continued use of such derivative works is limited to derivative works whose "source country" is an "eligible contry." *Id.* (codified at 17 U.S.C. § 104A(d)(3)). Section 104A(h)(8) defines a "source country" as "a nation other than the United States." *Id.* (codified at § 104A (h)(8)). Thus, only derivative works created or owned by foreign authors or right holders are eligible for continued use under the Act.

[192] *Id.*

[193] *Id.* (codified at § 104A(f)(1)).

[194] *Id.* (codified at § 104A(f)(2)).

to enforcement.[180] Such notice can be provided either by filing the appropriate notice with the Copyright Office (serving as constructive notice on all reliance parties for the work)[181] or by serving the notice directly on a particular reliance party.[182] Notice of reliance is not required prior to enforcing rights in a restored work against a party who does not qualify as a "reliance party" under the Act.[183]

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[180] URAA, *supra* note 139, §514 (codified at § 104 A(d)).

[181] *Id.* (codified at § 104A(d)(2)(A)).

[182] *Id.* (codified at § 104A(d)(2)(B)). Reliance notices filed with the Copyright Office must be signed by the owner of the restored copyright, the owner of an exclusive right in the restored work, or the owner's agent. *Id.* (codified at § 104A(e)(1)). The notice must identify the title of the restored work, include its English translation and any alternative titles, and provide an address and telephone number at which the owner may be contacted. *Id.* The same information is required in reliance notices served directly on reliance parties. *Id.* (codified at § 104A(e)(2)(B)). Although minor errors or omissions can be corrected by filing a notice of correction with the Copyright Office, *id.* (codified at § 104A(e)(2)(A)(iii)), material false statements "knowingly made," "void all claims and assertions made with respect to such restored copyright." *Id.* (codified at § 104A(e)(3)).

Four months after the date of restoration for a particular nation, and every four months thereafter for a period of two years, the Copyright Office must publish lists of restored works and their ownership if a reliance notice has been filed. *Id.* (codified at § 104A(e)(1)(B)(1)). The Copyright Office is also required to maintain one list of all filed reliance notices to be made available for public inspection and copying. This list must also be published in the Federal Register on an annual basis for the first two years after the applicable date of restoration. *Id.* (codified at § 104A). The Copyright Office has announced that it will permit the filing of reliance notices beginning January 1, 1996 and will begin to publish lists of filed reliance notices in May 1996. 60 Fed. Reg. 7793 (1995).

Among the issues which the Copyright Office intends to address before issuing its final regulations regarding reliance notices and restored copyrights are what additional information, if any, should be required in such notices and in any copyright registration applications for restored copyright, what filing fees to require, and what standard to use to determine authorship. *Id.*

[183] URAA, *supra* note 139, § 514 (codified at 17 U.S.C. § 104A(d)(1)).

authors and right holders[170] from Berne or WTO nations on January 1, 1996, one year after the WTO comes into being.[171]

In order to qualify for restoration of copyright protection under the URAA, a work of a foreign author or right holder must not be in the public domain in the source country as a result of the expiration of its term of copyright protection.[172] In addition, the work must be in the public domain in the United States because its owner did not comply with formalities (such as failure to affix the appropriate copyright notice or failure to file a timely renewal application),[173] because it was a sound recording fixed prior to

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[170] Under the URAA, a "right holder" for sound recordings means the person who "first fixes a sound recording with authorization," or a person who acquired the right of first fixation by conveyance or by operation of law from such person. URAA, *supra* note 139, § 514 (codified at 17 U.S.C. § 104A(h)(7)(1994)).

[171] General Provisions—Copyright Restoration of Certain Berne and WTO Works, 60 Fed. Reg. 7793 (1995). The Copyright Office has announced that it will publish final regulations establishing the procedures for filing required notices under the Act by October 1, 1995. *Id.*

In determining that the effective date of restoration was one year after the January 1, 1995 entry into force of the Uruguay Round Agreements, the Copyright Office relied upon Article 65(1) of TRIPS, which states that "no member shall be obliged to apply the provisions of this Agreement before the expiration of a general period of the year following the date of entry into force of the Agreement Establishing the WTO." TRIPS at art. 65(1). One well-known scholar has severely criticized the Copyright Office's position on the grounds that the plain language of the URAA does not permit a one-year delay in the initial date of restoration. *See* PATRY, *supra* note 166, at 31-36.

For source countries which are not members of WTO or the Berne Convention as of January 1, 1995—the date the TRIPS Agreement enters into force with respect to the United States—the date of restoration for works owned by authors or right holders of such countries will be the date of adherence to TRIPS or the Berne Convention or the date on which the President by proclamation finds that a particular country extends "restored copyright protection on substantially the same basis as provided under [the URAA]" to the works of authors who are nationals or domiciliaries of the United States. URAA, *supra* note 139, § 514 (codified at 17 U.S.C. §§ 104A(g), (h)(5) (1994)).

[172] URAA, *supra* note 139, § 514 (codified at 17 U.S.C. § 104A(h)(6)).

[173] *Id.*

made."[161] The court also has discretion to order the forfeiture and destruction of "any other equipment by means of which such copies or phonorecords may be reproduced."[162] However, such discretionary forfeiture must take into consideration "the nature, scope and proportionality of the use of the equipment in the offense."[163]

In order to aid in the seizure and forfeiture of unauthorized copies of live musical performances fixed outside of the United States, the URAA directs the Secretary of the Treasury to establish the necessary regulations both to permit the seizure of such unauthorized copies by the U.S. Customs Service and to allow performers to register with Customs so that they may receive notification of the importation of copies that appear to consist of unauthorized fixations under the Act.[164] Both the civil and criminal anti-bootlegging provisions of the URAA apply to any "act or acts that occur on or after the date of enactment of the Uruguay Round Agreements Act (December 8, 1994)."[165]

Although the statute is silent on its face, the protection afforded under the anti-bootlegging provisions of the URAA does not appear to be absolute. To the contrary, rights granted to performers under the URAA to restrict the use of fixations of their live performances are arguably limited by the strictures of the First Amendment.[166] Congress itself indicated that "[i]t

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[161] *Id.* (codified at 18 U.S.C.A. § 2319A(b)).

[162] *Id.*

[163] *Id.*

[164] *Id.* (codified at 18 U.S.C.A. § 2319A(c)).

[165] *Id.* at §§ 512, 513.

[166] Despite the placement of the anti-bootlegging provisions of the URAA in Title 17 and the grant of remedies co-extensive with those granted copyright owners, the rights granted under section 512 are not granted under the Copyright Clause of the Constitution. U.S. CONST. art. I, § 8, cl. 8. To the contrary, they are rights granted under the Commerce Clause. *See* WILLIAM F. PATRY, COPYRIGHT AND THE GATT: AN INTERPRETATION AND LEGISLATIVE HISTORY OF THE URUGUAY ROUND AGREEMENTS ACT 18 (1995). Section 512, which specifies that bootleggers "shall be subject to the remedies provided in Section[s] 502 through 505 [of Title 17] *to the same extent as an infringer of copyright*," URAA, *supra* note 139, § 512 (emphasis

unauthorized fixation and "trafficking in"[152] sound recordings and music videos of live musical performances. Prior to the URAA, U.S. copyright law required that a work be "fixed in a tangible medium of expression" in order to qualify for copyright protection. Consequently, although numerous states had enacted statutes to protect against bootlegging, no uniform federal protection existed against the unauthorized fixation of live performances in bootleg audio or video tapes. With the enactment of the URAA, bootleggers will now be subject to both civil remedies under the Copyright Act (including injunctive relief, seizure and destruction of infringing works, monetary damages, and attorney's fees and costs)[153] and criminal penalties under Title 18 of the U.S. Code.[154]

Under the anti-bootlegging provisions of the URAA, only live *musical* performances are protected. Performers have the exclusive right to control the fixation of their live performances, including the reproduction of such fixations, and any subsequent distribution or transmission or other communication of the performance to the public. Furthermore, the performances do not have to be fixed in the United States in order to be protected. To the contrary, section 512 specifically prohibits the distribution, offer to distribute, sale, offer to sell, rental, offer to rent, or trafficking in any copy or phonorecord fixed without the performers' consent "regardless of whether the fixation occurred in the United States."[155]

The new statute is designed to reach the bootlegging of both sounds and images. Consequently, the Act's prohibitions against unauthorized fixations, communications, and distributions extend to unauthorized copies

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[152] Under Section 512 of the URAA, to "traffic in" is defined as to "transport, transfer or otherwise dispose of, to another, as consideration for anything of value or make or obtain control of with intent to transport, transfer or dispose of." URAA, *supra* note 139, at § 512 (creating 17 U.S.C. § 1101).

[153] *See* 17 U.S.C. §§ 501-505 (1994). Although copyright remedies apply, however, the anti-bootleg protection granted under the URAA does not arise under the copyright laws. *See* note 166 *infra*.

[154] *See* 18 U.S.C.A. § 2319 (West Supp. 1995).

[155] URAA, *supra* note 139, § 512 (creating 17 U.S.C. § 1101).

changes in U.S. copyright law concern the treatment of software rental rights, the protection against the production and distribution of bootleg live performance recordings, and the recapture of copyright for certain public domain rights.

1. Software And Video Rental Rights

Under the first sale doctrine embodied in Section 109 of the Copyright Act of 1976, as amended, the owner of a lawfully made copy or phonorecord of a copyrightable work is entitled to rent, sell, or otherwise dispose of the possession of that copy without the authorization of the copyright owner.[144] Prior to TRIPS, U.S. law excepted phonorecords and computer programs from the application of the first sale doctrine. Thus, even prior to the URAA, under the Computer Software Rental Amendments Act of 1990, copyright owners had the exclusive right to authorize or prohibit the rental of lawfully acquired copies of their computer software.[145] These rights, however, were set to expire on October 1, 1997. Section 511 of the URAA eliminated this sunset provision.[146] Consequently, holders of

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the changes set forth in the URAA meet U.S. obligations under the Uruguay Round Agreements, including TRIPS, it remains to be seen whether the language of some of these provisions will be interpreted in the future to require additional changes to U.S. law.

[144] 17 U.S.C.A. § 109(a) (West Supp. 1995).

[145] Under the Computer Software Rental Amendments Act of 1990, Pub. L. No. 101-650, tit. VII, 104 Stat. 5134 (1990), section 109 of the copyright statute was revised to require the authorization of the copyright owner in a computer program before

> any person in possession of a particular copy of a computer program . . . may, for the purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the possession of that . . . computer program . . . by rental, lease or lending or by any other act or practice in the nature of rental, lease or lending.

17 U.S.C.A. § 109(b)(1)(A) (West Supp. 1995). The Act excluded, inter alia, the transfer of possession of a lawfully made copy of a computer program by a nonprofit educational institution to faculty, staff, and students at such an institution from its strictures. *Id.*

[146] URAA, *supra* note 139, § 511 (amending 17 U.S.C. § 109).

delay in the date of application.[132] Thus, the earliest date by which any developing country must comply with TRIPS requirements is January 1, 2000.[133]

In addition to delaying the effective date of TRIPS for developing and least developed nations, TRIPS also requires developed country members to provide "technical and financial cooperation" to developing and least developed countries.[134] Such technical cooperation must include "assistance in the preparation of laws and regulations on the protection and enforcement of intellectual property rights as well as on the prevention of their abuse, and shall include support regarding the establishment or reinforcement of domestic offices and agencies relevant to these matters, including the training of personnel."[135] In addition to technical cooperation, Article 66 requires that developed country members provide "incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country members in order to enable them to create a sound and viable technological base."[136]

Compromises regarding substantive copyright disputes generally reflect an accommodation among the concerns expressed by the developed nations during the Uruguay Round (the North-North debate). Thus, for example, although members are required generally to comply with the Berne Convention (Paris text), the moral rights provision of Article 6*bis* and any "rights derived therefrom" are expressly exempted.[137] Consequently, TRIPS does not contain any required standards or procedures for protecting non-

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[132] TRIPS, *supra* note 1, arts. 65(2), 65(3).

[133] In order to protect against an erosion of protection in such developing countries, Article 65(5) requires "[a]ny [m]ember availing itself of a transitional period [in the application date] to ensure that any changes in its domestic law, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement." *Id.* art. 65(5).

[134] *Id.* art. 67.

[135] *Id.*

[136] *Id.* art. 66(2).

[137] *Id.* art. 9.

infringer who knew or had reasonable grounds to know that he was engaged in an infringing activity;"[122] and the right to obtain in appropriate circumstances the seizure and destruction of infringing goods as well as "materials and implements the predominant use of which has been in the creation of the infringing goods."[123]

Parties who abuse the enforcement process are subject to sanctions. Among the types of abuse for which sanctions are to be imposed are refusals "without good reason" to provide "necessary information within a reasonable period"[124] and wrongfully issued injunctions or restraining orders.[125] Moreover, any exemptions from liability for public authorities and officials for failure to provide appropriate remedial measures are limited to actions "taken or intended in good faith in the course of the administration of that law."[126] Members also have the right to grant judicial authorities the power to order infringers to identify third persons involved in the production and distribution of infringing goods and their channels of distribution.[127] TRIPS also provides for special procedures to permit a right holder, through written application, to seek impoundment by customs officials of goods which the right holder has "valid grounds" for suspecting constitute "pirated copyright goods."[128] Finally, in connection with pirated copyright goods, TRIPS requires members to provide for "criminal procedures and penalties" including "imprisonment and/or monetary fines

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[122] TRIPS, *supra* note 1, art. 45(1).

[123] *Id.* art. 46.

[124] *Id.* art. 43(2).

[125] *Id.* art. 48(1).

[126] *Id.* art. 48(2).

[127] *Id.* art. 47.

[128] *Id.* arts. 51-60. TRIPS defines "pirated copyright goods" as "any goods which are copies made without the consent of the right holder or person duly authorized by him in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright of a related right under the law of the country of importation." *Id.* art. 52 n.14.

exceptions and reservations" to the extent permitted by the Rome Convention.[106] Such "conditions, limitations, exceptions and reservations" arguably include the right to deny a public performance right to producers and performers of sound recordings, to impose reciprocity as opposed to national treatment for foreign phonogram producers, and to permit, without compensation to the right holder, private use and use for teaching or scientific research.[107]

4. Enforcement Procedures

In addition to establishing minimum international substantive norms for copyright protection, TRIPS also provides minimum *procedural* norms for enforcement. Among the procedural norms is the requirement that enforcement procedures available under a member's national laws "permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringement."[108] All such procedures must be "fair and equitable"[109] and cannot be "unnecessarily complicated or costly"[110] or "entail unreasonable

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[106] *Id.* art. 14(6).

[107] *See, e.g.*, Rome Convention, *supra* note 68, art. 12, 15, 16. *See generally* Reichman, *supra* note 54, at 216-18. These reservations, however, remain subject to Article 18 of the Berne Convention governing copyright protection restoration. TRIPS, *supra* note 1, art. 14(6). Furthermore, Article 1(3) requires that any member "availing itself of the possibilities provided in [Article 5(b) (limiting protection to phonograms *produced* by a foreign national) and Article 6(2) (limiting protection to broadcasting organizations with a foreign headquarters situated in the same country as the transmitter)] of the Rome Convention" must notify the Council for Trade-Related Aspects of Intellectual Property Rights established under the Agreement. *Id.* art. 1(3). Article 3(1) requires similar notification by a member "availing itself of the possibilities provided in [Article 16(1)(b) (excluding communications to the public of television broadcasts where access is achieved through payment of an entrance fee)] of the Rome Convention." *Id.* art. 3(1).

[108] TRIPS, *supra* note 1, art. 41(1).

[109] *Id.* art. 41(2).

[110] *Id.*

material, whether in machine readable or other form" was adopted.[92] In order to make protection mandatory, however, such computer databases must constitute "intellectual creations" by reason of "the selection or arrangement of their contents."[93] While databases are considered protected compilations if they evidence sufficient "intellectual creation," TRIPS does not require protection for any "data or material" contained in such databases unless it is subject to separate protection apart from its status as a component of the entire database.[94]

2. Commercial Rental Rights

TRIPS requires member countries to provide authors and their successors in title with the right to control the commercial rental to the public of both originals and copies of computer programs, cinematographic works, and phonograms.[95] In connection with the rental of cinematographic works, TRIPS allows countries to avoid granting such rental rights unless the rental of these works "has led to widespread copying of such works," which is "materially impairing the exclusive right of reproduction conferred in that member" country or their authors.[96]

TRIPS does not exempt computer software or phonograms. However, exclusive rental rights are avoided for computer software rentals "where the program itself is not the essential object of the rental."[97] With regard to the commercial rental of phonograms, any system for equitable

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[92] *Id.* art. 10(2).

[93] *See id.*

[94] *Id.* Article 10(2) specifically provides that any protection for a computer data base shall be "without prejudice to any copyright subsisting in the data or material itself." *Id.*

[95] *Id.* arts. 11, 14(4). Although U.S. copyright law uses the term "phonorecord" to refer to records, compact discs, and other material objects in which sounds are fixed, Articles 11 and 14 of TRIPS use the term "phonogram." This term is derived from the Rome Convention. *See supra* note 69.

[96] *Id.* art 11.

[97] *Id.*

1993.[83] Given the widely divergent positions of the participants before the beginning of the Uruguay Round, it is not surprising that TRIPS represents an accommodation of interests. Unfortunately, this accommodation may have eviscerated the benefits of the Agreement.

A. *The Establishment Of International Copyright Norms*

Perhaps the most important compromise reached between the developing and developed countries in TRIPS was the acceptance by the developing countries of GATT jurisdiction and the establishment of minimum standards and rules for intellectual property protection. These minimum standards and rules include a recognition of national treatment as the standard for international copyright protection[84] and reliance on the Berne Convention for most substantive copyright standards. Under Article 9 of TRIPS, all members[85] must comply with Articles 1 through 21 of the Berne Convention (Paris Text) and its Appendix.[86] In addition to the requirements of Berne, Article 9(2) of TRIPS expressly affirms that copyright protection extends to "expressions" and not to "ideas, procedures, methods

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[83] The Final Agreement largely emerged from a draft compiled in December of 1991 by Arthur Dunkel, the GATT Director-General. Referred to as the "Dunkel Draft," this document became the draft Final Agreement. The TRIPS portion of the Dunkel Draft contained all of the enumerated Articles later embodied in the Final Agreement and was accepted with relatively few changes. *See* TRIPS, *supra* note 1. For a review of the provisions of the Dunkel Draft and some of the issues posed by this draft, see generally Al J. Daniel, Jr., *Intellectual Property in the Uruguay Round: The Dunkel Draft and a Comparison of United States Intellectual Property Rights, Remedies, and Border Measures*, 25 N.Y.U. J. INT'L L. & POL. 751 (1993).

[84] TRIPS, *supra* note 1, art. 3.

[85] Although the term "contracting countries" is often used to refer to nations who are signatories to GATT, the term "members" is used in TRIPS to refer to nations who are signatories of the Uruguay Round Agreements (including TRIPS) and members of the WTO. Consequently, the term "member" or "member nation" is used throughout this article to refer to those countries who are or will become signatories to TRIPS.

[86] TRIPS, *supra* note 1, art. 9(1).

whether in print, machine readable or any other medium which shall be protected as collections or compilations if [such databases] constitute intellectual creation by reason of the selection, coordination, or arrangement of their contents."[76] By contrast, the European Community sought to exclude "interfaces"[77] and did not expressly include computer databases among the works to be protected.[78] The Japanese proposal, while recognizing the general protectability of computer software, expressly excluded "any programming language, rule or algorithm used for making such works."[79]

4. Compulsory Licensing And Rental Rights

Many countries require copyright owners to enter into compusory licensing as a compromise between a copyright owner's economic interest in compensation and a public policy that allows unrestricted use of such works as an incentive to industrial growth. Essentially, the copyright owner receives an established royalty in exchange for a compelled license of the work. The collection of royalties required under a compulsory licensing system is often managed by collective licensing societies. On its face, such a collective licensing system may provide an acceptable balance between a copyright owner's economic interests and a nation's public policy interests. Restrictions on the ability of a copyright owner to receive the designated royalty, however, can undermine the benefits otherwise available under such a system.

None of the developed countries seriously challenged the right of any country to provide for compulsory licensing agreements. The United States, however, objected to certain compulsory licensing schemes such as the French video levy which restricted recovery by foreign owners for a levy on blank videocassettes (to compensate copyright owners from losses due to home taping) to monies collected solely for authors. French companies, by

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[76] GATT Doc. No. MTN.GNG/NG11/W/70 art. 2(1); *see also* 2 NEGOTIATING HISTORY, *supra* note 4, at 2290-91.

[77] Interfaces provide compatibility between software and hardware, thus arguably permitting competitors to provide software which can be used on different computer systems.

[78] *See* 2 NEGOTIATING HISTORY, *supra* note 4, at 2290-91.

[79] *Id.*

adherence to the Berne Convention in 1989,[65] the United States continued to insist during the Uruguay Round that only the "economic rights provided in the Berne Convention"[66] be adopted into TRIPS. Among the developed countries that submitted drafts, the United States was the only one which sought to exclude moral rights.

2. Neighboring Rights[67]

The rights of performers, broadcasters, and producers of sound recordings to protect their works from infringement is generally governed internationally by the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations ("Rome Convention"). The Rome Convention provides for national treatment[68] and grants for a twenty-year period of protection[69] the following

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[65] *See* The Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (codified in scattered sections of 17 U.S.C.). One of the areas of greatest contention in the debate concerning adherence to the Berne Convention was Article 6*bis* and its requirement that moral rights be protected. Under the Berne Convention, the United States did not amend its copyright laws to require such protection. Instead, it contended that such protection was already available through a combination of privacy, libel, false advertising, and misappropriation laws. REPORT ON THE BERNE CONVENTION IMPLEMENTATION ACT OF 1988, S. REP. NO. 352, 100th Cong., 2d Sess. 9-10 (1988). Since WIPO has no body to monitor or enforce compliance, this position would not prejudice U.S. membership in the Berne Convention even if it were later found to be incorrect.

[66] GATT Doc. MTN.GNG/NG11/W/70 art. I; *see also* 2 NEGOTIATING HISTORY, *supra* note 4, at 2289.

[67] "Neighboring rights" refers to the rights of performers, producers and broadcasters of sound recordings ("phonograms") to protect their work from unauthorized use. Such rights may be of particular importance to developing countries with strong oral traditions. Although expressions of folklore are not generally copyrightable, the performance, fixation, and broadcast of such expressions would be protectable as a neighboring right. *See, e.g.*, Reichman, *supra* note 54, at 219 (and sources cited therein).

[68] International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, Oct. 26, 1961, arts. 5-7, 496 U.N.T.S. 43 [hereinafter Rome Convention].

[69] *Id.* art 14.

to enable expeditious action against infringement."[58] However, any determination of whether such acts constituted "infringement" should be left to each countries's national laws.

While developing countries emphasized the role of intellectual property as an instrument of public policy, thus underscoring the perceived need to permit unfettered internal use of such material, developed countries uniformly viewed intellectual property as embodying pure property rights, entitled to comprehensive international protection in order to assure a full economic return to creators and owners.[59] Reducing the potential for uncompensated, infringing uses by enacting and enforcing national protection norms was perceived as beneficial for both developed and developing countries. By assuring a higher economic return to the creators of copyrighted works, such norms would encourage authors in developing nations to expend the necessary research and development funds to develop their own works, including technology, which could then be exported.[60]

Debates regarding the compromise to be struck between the need to protect copyrighted works and the need to assure useful access to such works by developing countries continued throughout the TRIPS negotiations. The compromises reached in resolving these differences were hard-fought and, as discussed more fully below, may have fatally affected the effectiveness of the norms established under TRIPS.

E. *The Major Copyright Law Debates*

In addition to debates between developing and developed countries over jurisdiction and access to technology, the scope of substantive copyright norms established under TRIPS was also hotly debated. While debates regarding GATT jurisdiction and access to technology generally occurred among developing and developed countries (often referred to as the "North-

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[58] GATT Doc. MTN.GNG/NG11/W/40 at 2, *reprinted in* YAMBRUSIC, *supra* note 12, at 187.

[59] *See, e.g.*, Kirstin Peterson, Note, *Recent Intellectual Property Trends in Developing Countries*, 33 HARV. INT'L L.J. 277, 278-81 (1992); Reichman, *supra* note 54, at 254-55; Cordray, *supra* note 10, at 137-38.

[60] *See supra* notes 58, 59.

The need for access by developing countries to copyright protectable works has arguably grown more severe in the present technologically driven global economy. Much technology, including software, firmware, and robotics, contains, in whole or in part, potentially copyright protectable elements. Thus, attempts to restrict a nation's internal access to such technology through the enactment of international protection norms or procedures are seen by some developing countries as a direct threat to their ability to play a significant role in the world economy.[54]

Many of these concerns were expressed either directly or indirectly by the developing countries during the Uruguay Round debates. Brazil, which became one of the leading representatives for the interests of the developing countries, stressed in its initial proposal that any proposal regarding "standards and principles concerning the availability, scope and use of trade-related intellectual property rights . . . should take fully into account the need to . . . respect national development objectives and national public interests [and] facilitate the development of and the access to modern technology."[55] Korea similarly stressed that the need for "[d]ue consideration should be given to the public policy objectives underlying in each national system"[56] and cautioned that "[i]f the agreement does not take into account each nation's different interests including different levels of development in the fields of [intellectual property rights], it will be very hard to expect full participation and then, the trade distortion problems in this field would still remain."[57] India, which had initially challenged the propriety of using GATT

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[54] *See, e.g.*, Staback, *supra* note 41, at 533-40; Cordray, *supra* note 10, at 137; J. H. Reichman, *The TRIPS Component of the GATT's Uruguay Round: Competitive Prospects for Intellectual Property Owners in an Integrated World Market*, 4 FORDHAM INTELL. PROP., MEDIA & ENT. L.J. 171, 222-23 (1993).

[55] GATT Doc. MTN.GNG/N611/W/57 *reprinted in* YAMBRUSIC, *supra* note 12, at 181.

[56] YAMBRUSIC, *supra* note 12, at 177.

[57] The Korean proposal also suggested that "[r]easonable transitional agreements and procedures of transfers of technology should be allowed for the adjustment of each participating country's domestic regulation, especially in new areas for which there exists no international agreement." *Id.*

Other developing countries' proposals reflected similar concerns. Peru's proposal succinctly summarized the basic conflict between

considered it to be indifferent to their needs at best and hostile at worst, in view of renewed efforts by some developing countries to use WIPO to lessen the level of protection established under the Berne Convention.[46] The developed countries perceived GATT as providing a forum where an international consensus could be reached regarding the scope of protection for works not covered by the Berne Convention—including software and computer databases—outside the potentially politicized open meetings required by WIPO.[47] Finally, developed countries sought to rectify a perceived lack of adequate enforcement mechanisms under the Berne Convention. Although Article 33 of the Berne Convention provides that disputes can be brought before the International Court of Justice,[48] at the time of the Uruguay Round negotiations not one dispute had been brought in over forty-five years.[49] Because WIPO had no other enforcement procedures for assuring that a member's laws complied with Berne's agreed-upon minimums, the developed countries sought to establish an enforcement mechanism under GATT which would force full compliance by all member countries.

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[46] *See, e.g.*, Greenwald, *supra* note 5, at 239; Cordray, *supra* note 10, at 137. Some developing countries had already sought to reduce existing intellectual property protection under WIPO on the theory that such property is the "common heritage" of mankind and should be freely available to all. Such free availability, they believe, included the right of transfer to developing countries without payment of compensation. *See* Greenwald, *supra* note 5, at 239; J.H. Reichman, *Intellectual Property in International Trade: Opportunities and Risks of a GATT Connection*, 22 VAND. J. TRANSNAT'L L. 747, 761-66 (1989).

[47] WIPO meetings were almost always open meetings, thereby offering developing countries the opportunity for "political grandstanding at the expense of substantive discussion." deKieffer, *supra* note 42, at 99. By contrast, most GATT negotiations were generally conducted "outside the public spotlight, and the rhetoric used by the participants was genteel by contrast." *Id.*

[48] Berne Convention, *supra* note 40.

[49] *See, e.g.*, deKieffer, *supra* note 42, at 99 n.9. Part of the reason for the lack of enforcement is the requirement under the U.N. Charter that a judgment by the International Court of Justice can only be enforced by voluntary cooperation or by referral to the Security Council. Since it is doubtful the Security Council would act to enforce an intellectual property judgment, absent consent, any such judgment would have no impact on the challenged conduct.

in, for example, the copyright area, WIPO was the proper forum.[37] Part of the reluctance to use GATT as a forum for addressing the desirability of new or additional international standards for intellectual property protection derived from the perception of many of these countries that GATT was primarily a forum for the "have" nations.[38] Thus, many developing countries were concerned that their needs would not be given sufficient consideration in the GATT arena.[39] Furthermore, to the extent that international norms might be required, these countries believed that the Berne Convention,[40] with its emphasis on national treatment, had already dealt with the issue and that any changes which might be required should be dealt with only by WIPO, which had responsibility for overseeing the Convention.[41] As an East German representative indicated in support for a statement by Cuba on

[37] *See supra* notes 11-12, 14-15; *see also infra* notes 38, 42-46.

[38] *See* YAMBRUSIC, *supra* note 12, at 10, 80-81. In order to overcome this perception, one of the goals cited by the United States in support of its proposal to establish intellectual property norms under GATT was to provide an incentive to non-contracting countries to join GATT. *See* GATT Doc. MTN.GNG/NG11/W/14.

[39] *Id.*

[40] Berne Convention for the Protection of Literary and Artistic Works, July 24, 1974, art. 33, 828 U.N.T.S. 221, 275, 277 [hereinafter Berne Convention].

[41] *See, e.g.*, Willard A. Staback, Note, *International Intellectual Property Protection: An Integrated Solution to the Inadequate Protection Problem*, 29 VA. J. INT'L L. 517, 540-41 (1989).

GATT for the protection of all types of intellectual property, including copyright. The United States believed that such norms would serve as an effective deterrent to trade distortions caused by the infringement of intellectual property rights, and proposed that such norms be based on existing international conventions. In order to assist nations in harmonizing their national intellectual property laws with such agreed-upon international standards, the United States further proposed that parties to the agreement provide technical assistance to such countries.[20]

The initial U.S. proposal received relatively little support. By the end of 1989, proposals had been submitted by seventeen nations and negotiating groups, including the Nordic States,[21] Canada,[22] Switzerland,[23] Australia,[24] Austria,[25] New Zealand,[26] Hong Kong,[27] The Republic of Korea,[28] Brazil,[29]

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[20] The United States also sought the development and implementation of effective border controls and the development of a multilateral dispute settlement mechanism under GATT to resolve further problems.

[21] GATT Doc. MTN.GNG/NG11/W/22 *reprinted in* YAMBRUSIC, *supra* note 12, at 151-55.

[22] GATT Doc. MTN.GNG/NG11/W/47 *reprinted in* YAMBRUSIC, *supra* note 12, at 156-61.

[23] GATT Doc. MTN.GNG/NG11/W/42 *reprinted in* YAMBRUSIC, *supra* note 12, at 161-65.

[24] GATT Doc. MTN.GNG/NG11/W/35 *reprinted in* YAMBRUSIC, *supra* note 12, at 165-70.

[25] GATT Doc. MTN.GNG/NG11/W/55 *reprinted in* YAMBRUSIC, *supra* note 12, at 170-73.

[26] GATT Doc. MTN.GNG/NG11/W/46 *reprinted in* YAMBRUSIC, *supra* note 12, at 173-74.

[27] GATT Doc. MTN.GNG/NG11/W/51 *reprinted in* YAMBRUSIC, *supra* note 12, at 175-77.

[28] GATT Doc. MTN.GNG/NG11/W/48 *reprinted in* YAMBRUSIC, *supra* note 12, at 177-80.

[29] GATT Doc. MTN.GNG/NG11/W/57 *reprinted in* YAMBRUSIC, *supra* note 12, at 180-83.

the views of only forty delegates, served as the basis for the September 1986 Declaration formally launching the TRIPS negotiations. Given the lack of uniformity regarding even the desirability of including intellectual property rights as a GATT topic, the issuance of the September 1986 Declaration only served as the opening volley in lengthy, divisive debates regarding GATT's proper role in regulating intellectual property.

B. *The Ministerial Declaration: The Formal Debate Begins*

The September 1986 Declaration identified "trade related aspects of intellectual property rights" as a negotiating topic "[i]n order to . . . ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade."[14] The Declaration emphasized that the purpose of the negotiations was to "clarify GATT provisions and elaborate as appropriate new rules and disciplines" to reduce any "distortions and impediments to international trade."[15] Such negotiations were intended to "develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT."[16] Reflecting the failure to resolve the earlier-expressed concerns of the developing countries regarding the role which GATT initiatives should play in the area, the September 1986 Declaration stated that all negotiations regarding trade related aspects of intellectual property law were to be

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[14] *Ministerial Declaration, supra* note 4, at 7. The complete reason cited by the Ministers in the September 1986 Declaration for the inclusion of trade related aspects of intellectual property rights as a formal negotiating topic was "to reduce the distortions and impediments to international trade, take into account the need to promote effective and adequate protection of intellectual property rights, and ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade." *Id.* The inclusion of trade related aspects of intellectual property rights represented the first time that such issues had been formally declared as a negotiating topic in multinational trade negotiations under GATT. For a more detailed discussion of the developments surrounding this expansion to include intellectual property rights as a topic for GATT consideration, see *infra* part III.

[15] *Ministerial Declaration, supra* note 4, at 7.

[16] *Id.* at 8.

("WIPO")[11] had exclusive jurisdiction over issues regarding substantive intellectual property rights.[12]

[11] The World Intellectual Property Organization is a 147-member specialized agency of the United Nations whose primary purpose is to promote the protection of intellectual property rights. WIPO administers diverse multilateral treaties, including the Paris Convention for the Protection of Industrial Property (covering patent and trademark issues, among others) and the Berne Convention for the Protection of Literary and Artistic Works (covering copyright issues).

[12] As the forum responsible for supervising, inter alia, the Berne Convention, WIPO was perceived by developing countries as the appropriate forum to attempt any negotiated modification in presently agreed-upon international substantive norms for copyright protection. *See, e.g.*, EDWARD S. YAMBRUSIC, TRADE-BASED APPROACHES TO THE PROTECTION OF INTELLECTUAL PROPERTY 10 (1992). *See also infra* notes 42, 45, 46-47, and 49. This interplay between GATT and WIPO posed continual problems for both organizations during the Uruguay Round and ultimately led to a compromise that acknowledged a direct relationship between TRIPS and the Berne Convention. *See* TRIPS, *supra* note 1.

anti-counterfeiting code prohibiting the importation of counterfeit trademarked products.[5] Although no agreement was reached prior to the end of the Tokyo Round,[6] the negotiations set the stage for renewed efforts during the next round to use GATT to combat international trademark counterfeiting.

In 1982, after meeting to establish an agenda for topics to be addressed after the Tokyo Round, the United States submitted a formal proposal advocating further negotiations regarding the adoption of a model

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[5] Although trademark counterfeiting is not a recent development, in the late 1970s the incidence of trademark counterfeiting was on the rise, resulting not only in lost revenues for trademark owners, but also in an increasing concern over the potentially dangerous nature of goods which entered the marketplace without meeting health and safety standards. *See, e.g.*, SENATE COMM. ON THE JUDICIARY, REPORT ON S. 875, S. REP. NO. 526, 98th Cong., 2d Sess. 3-5 (1984); NEGOTIATING HISTORY, *supra* note 4, at 2254. As a result of the increased attention paid to trademark counterfeiting, the International Anti-Counterfeiting Coalition was formed during the Tokyo Round. *See Possible Renewal of Generalized System of Preferences—Part 1: Hearing Before the Subcomm. on Trade of the House Comm. on Ways and Means*, 98th Cong., 1st Sess. 56 (1983) (statement of James L. Bikoff, President, International Anti-Counterfeiting Coalition). This Coalition assisted in drafting a proposed anti-counterfeiting code which became the basis for future negotiations with the European Community. For a discussion on the efforts to include anti-counterfeiting measures within GATT, *see generally*, Joseph A. Greenwald, *The Protection of Intellectual Rights in GATT and the Uruguay Round: The U.S. Viewpoint, in* CONFLICT AND RESOLUTION IN US-EC TRADE RELATIONS AT THE OPENING OF THE URUGUAY ROUND 229 (Seymor J. Rubin & Mark L. Jones, eds., 1989).

[6] The Tokyo Round was concluded April 12, 1979. The United States and the European Community did not reach agreement until July 31, 1979, when they introduced a proposed draft code entitled *Agreement on Measures to Discourage the Importation of Counterfeit Goods*. *See* GATT Doc. No. L/4817 (July 31, 1979). *See also* LESLIE A. GLICK, MULTILATERAL TRADE NEGOTIATIONS: WORLD TRADE AFTER THE TOKYO ROUND 41-42 (1984). This model code did not address the issue of counterfeit copyrighted works. Subsequent negotiations with other countries, including Japan, Canada, and Switzerland resulted in the submission of a slightly revised code in 1982, but did not serve to expand the issue to include copyrighted goods. *See Agreement on Measures to Discourage the Importation of Counterfeit Goods*, GATT Doc. L/5382 (Oct. 18, 1982). *See generally* 2 NEGOTIATING HISTORY, *supra* note 4, at 2258-61.

compromises and the impact that they may have on the breadth of copyright protection under TRIPS cannot be predicted with certainty. However, an examination of the scheme of protection established by TRIPS, including those portions of the Uruguay Round Agreements enacted into U.S. law by Congress to ratify and give effect to that scheme, provides at least some basis for predicting the benefits and problems that copyright owners and users can expect as a result of TRIPS.

This Article will explore the history of the Uruguay Round negotiations of TRIPS, particularly as those negotiations provide insight into the final compromises contained in TRIPS concerning copyright. The Article will then examine those portions of TRIPS and the Uruguay Round Agreements Act which concern the protection of copyrightable works. Finally, it will examine whether TRIPS and the Uruguay Round Agreements Act contain the elements necessary to create a new era of international copyright protection or merely offer yet another promise of protection, the actual impact of which will be illusory at best.

II. A SHORT HISTORY OF THE URUGUAY ROUND NEGOTIATIONS

Article XX of the GATT specifically permits measures "necessary to secure compliance with laws or regulations . . . including those relating to . . . the protection of patents, trademarks, and *copyrights* and the prevention of deceptive practices."[3] Despite this early recognition that the failure to protect copyright adequately might have an impact on trade, until the Ministerial Declaration of September 20, 1986 ("September 1986 Declaration" or "Declaration"), GATT had played only a small role in the development of international copyright protection norms. In the September 1986 Declaration, which officially launched the Uruguay Round of the Multilateral Trade Negotiations, the Ministers identified "trade related aspects of intellectual property rights, including trade in counterfeit goods" as one of the subjects for negotiation.[4] The disputes that led to the inclusion

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[3] General Agreement on Tariffs and Trade, *opened for signature* Oct. 30, 1947, art. 20(d), 61 Stat. A61, 55 U.N.T.S. 262 (emphasis added) [hereinafter GATT].

[4] *Ministerial Declaration on the Uruguay Round*, GATT Doc. MIN DEC. (Sept. 20, 1986) [hereinafter *Ministerial Declaration*] *reprinted in* 3 THE GATT URUGUAY ROUND: A NEGOTIATING HISTORY (1986-1992) 1, 7-8 (Terence P. Stewart, ed.; 1993) [hereinafter NEGOTIATING HISTORY]. Among the

3. Neighboring Rights 559
4. Enforcement Procedures 560
B. *An Accommodation For Developing Nations* 563
C. *The Uruguay Round Agreements Act* 565
1. Software And Video Rental Rights 566
2. Anti-Bootleg Protection 567
3. Copyright Restoration 571
IV. THE ILLUSORY PROMISE OF GATT? 577
V. CONCLUSION 582

regional applications must be filed within three months of cancellation of the international registration, and may only cover goods and services contained in the international registration.[86] The corresponding national or regional applications will be accorded the same filing date and priority (if any) as the cancelled international registration. This alleviates another of the United States' major objections to the Madrid Arrangement, which provides no such conversion procedure in response to a central attack.

An international registration may be transferred with respect to any member where it has effect, or with respect to any goods or services listed in the registration, to any person eligible to file international applications. The change in ownership will be recorded by the International Bureau upon request.[87] The International Bureau will also record various other matters relating to an international registration as listed in Article 9*bis*.

The Madrid Protocol will enter into force three months after it is ratified by four countries or organizations, provided that at least one of them is a party to the Madrid Agreement and at least one is not.[88] As of September 1, 1995, the Madrid Protocol has been ratified by the required four countries (Spain, Sweden, Great Britain, and most recently China), and it is set to go into force on December 1, 1995.[89]

The Madrid Protocol could be a significant benefit to U.S. trademark owners. Advantages would include:

- the simplicity of filing a single application in a centralized system, as opposed to individual applications in countries where protection is desired;

- the convenience of filing an international application in the English language;

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[86] *Id.* art. 9*quinquies*.

[87] *Id.* art. 9.

[88] *Id.* art. 14(4)(a).

[89] The Madrid Protocol probably will meet in early 1996 to approve regulations, and applications will likely be accepted sometime during 1996.

been deposited directly in that member.[73] However, protection may not be refused, even partially, based only on the number of classes, goods, or services covered. Extensions in each country may also be opposed, just like national applications.[74]

The grounds for refusal of protection in any member (whether by ex parte examination or by the filing of an opposition) will be sent to the International Bureau,[75] which will notify the holder of the international registration. The registrant will have the right to respond to the refusal just as if it had applied directly in the applicable member.[76]

If a member does not finally refuse the extension within eighteen months of after the date of the international registration, the registration becomes effective in that member.

An international registration under the Madrid Protocol will have the same effect as a national or regional trademark application in all countries and intergovernmental organizations to which extension of protection has been requested, including the right of priority provided under the Paris Convention.[77] If the extension is not finally refused, the international registration will then have the same effect as a national or regional registration.[78] If protection is extended, the international registration will replace any previously issued national or regional registration covering the same goods and services (without prejudice to any rights acquired by the national or regional registration).[79]

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[73] Madrid Protocol, *supra* note 4, art. 5(1).

[74] *Id.* art. 5(2)(c).

[75] *Id.* art. 5(2)(a).

[76] *Id.* art. 5(3).

[77] *Id.* art. 4(1)(a), 4(2).

[78] *Id.* art. 4(1)(a).

[79] Madrid Protocol, *supra* note 4, art. 4*bis*.

International applications under the Madrid Protocol will be filed with the International Bureau of WIPO through the intermediary of the applicant's home country trademark office.[65] The application must meet the following requirements:

(1) it must be presented on the form prescribed by the Protocol Regulations;

(2) it must be certified by the office of origin as corresponding to the basic application or registration;

(3) it must indicate the goods and services covered, and, if possible, the corresponding International Class(es);

(4) if color is claimed as a distinctive feature of the mark, the application must state so, and it must be accompanied by a notice specifying the claimed color(s) and include color copies of the mark; and

(5) it must include a request for extension of protection, specifying the member countries where the applicant desires protection.[66]

Following receipt of a proper international application, the International Bureau will immediately register the mark (i.e., issue the "international registration") and notify the trademark offices involved.[67] The international registration will be dated as of the date the international application was received in the office of origin, provided it is received by the International Bureau within two months thereafter. The mark will then be published in a periodical gazette. However, as of the time of registration and publication, the international registration will grant no protection. Protection for the mark must be obtained by extension of the international registration to the members.

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[65] Madrid Protocol, *supra* note 4, art. 2(2). U.S. applicants would file their international applications with the United States Patent and Trademark Office acting as intermediary for the International Bureau.

[66] *Id.* art. 3.

[67] *Id.* art. 3(4).

examination[53] and opposition procedures.[54] Thus, U.S. trademark owners would not be able to file an international application under the Madrid Arrangement as quickly as residents of most other member countries.

Another perceived disadvantage to U.S. trademark owners lies in the "central attack" provisions of the Madrid Arrangement.[55] Under the Madrid Arrangement, an international registration, including all of its protection in various countries, automatically lapses if the home country registration upon which it is based is invalidated for any reason within the first five years of the international registration. Because maintenance of trademark registrations in the United States is more difficult than in many countries,[56] a central attack against a U.S. trademark registration might be more likely to succeed than against registrations in other countries.

Although these problems were largely resolved (or at least significantly improved) in the recently-signed Madrid Protocol,[57] the United States has not signed the Madrid Protocol due to a political objection relating to voting rights of the European Union and other intergovernmental organizations.[58] If this political stalemate is resolved and the United States

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[53] *See, e.g.*, 37 C.F.R. § 2.61-2.64 (1995).

[54] *See, e.g.*, 15 U.S.C. § 1063 (1994); 37 C.F.R. §§ 2.101-2.107, 2.116-2.136 (1995).

[55] "Central attack" is the term used for the invalidation of an international registration by cancellation of the home country registration upon which it is based.

[56] For example, to maintain a U.S. registration, the registrant must establish that it is using the mark in U.S. commerce between the fifth and sixth anniversary of the registration, and again at the time of each renewal. *See* 15 U.S.C. §§ 1058-1059 (1994). Many countries have no such use requirements.

[57] Madrid Protocol, *supra* note 4, art. 10(3)(a).

[58] *See id.* (giving each contracting party, whether a country or an intergovernmental organization, one vote in the Assembly). The Clinton administration has expressed concern that the European Union would use the Madrid Protocol as precedent to acquire similar voting rights in other treaties. When a similar dispute threatened to derail the subsequently-negotiated TLT, the Diplomatic Conference reached agreement by deleting

The requirements that members may place on changes of name and address of applicants and holders of registrations are limited by Article 10. The United States will need to discard its requirement of filing a change of name document with the U.S. Patent and Trademark Office.[46]

Article 11 relates to changes in ownership. The article prohibits member states from requiring a recitation of transfer of goodwill in order to record a change of ownership of a registration. This is inconsistent with current U.S. law. The article, however, does not require any change in substantive law; that is, the United States may continue its substantive law requirement that assignments of mark rights in gross are invalid.[47]

Correction of mistakes is covered in Article 12.

The duration of each registration and renewal is ten years, as provided in Article 13(7). This article also governs renewal requirements, and would require some changes in section 9 of the Lanham Act.[48] These changes relate to the furnishing of proof of current use on renewal, and the grace period allowed for renewal after expiration of the registration, which will be increased in the United States from three to six months. The changes required are minor, and the United States would be able to demand proof of use at the time of renewal in other ways.

Applicants or requesting parties must, as provided in Article 14, be given a chance to comment before final refusals are made under Articles 10-13.

Article 15 obligates members to comply with the provisions of the Paris Convention which concern marks.

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[46] TRADEMARK MANUAL OF EXAMINING PROCEDURE § 503.01 (2d ed. May 1993).

[47] 15 U.S.C. § 1060 (1994).

[48] 15 U.S.C. § 1059 (1994) (application for renewal term of ten years' duration may be made at any time within six months before the expiration of the period for which the registration was issued or renewed, or application may be made within three months after such expiration and payment of an additional fee).

in U.S. procedures to permit a combined use and intent-to-use application.[35] That is, a party who is using a mark for particular goods or services, and who intends to use the same mark on other goods and services, will be able to file a single application covering all such goods and services.

Article 3(5) requires that members permit a single application to cover goods and services in multiple classes. This would be helpful to U.S. trademark owners who file applications in countries such as Japan—assuming such countries become members of the TLT--which now require a different application for each class. A subsequent provision of the TLT permits phase-in of this requirement.[36]

Article 3(7) prohibits any other requirements, specifically enumerating some that are currently used in several countries and that many U.S. trademark owners criticize as unduly burdensome and expensive.

Article 4 relates to representation of applicants and trademark holders. It requires that powers of attorney covering all applications/registrations of the applicant/holder, and general powers of attorney, must be accepted.[37] Article 4(6) prohibits members from demanding requirements other than those specifically permitted.

The requirements that members may place on applicants to obtain a filing date are limited by Article 5. If members do not require payment of the filing fee to obtain a filing date, they will not be permitted to do so after adhering to the TLT.[38] The U.S. practice of requiring foreign applicants to file a certified copy of their home country registration to obtain a filing date[39] would be discontinued.

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[35] *See* 37 C.F.R. § 2.33(d) (1995).

[36] Trademark Law Treaty, *supra* note 3, arts. 22(1) and 22(8).

[37] *Id.* art. 4(3).

[38] *Id.* art. 5(2)(b).

[39] 15 U.S.C. § 1126(e) (1994).

States and sixty-seven other states in October 1994.[27] When implemented, the provisions of the TLT will greatly influence U.S. trademark owners, especially those who protect their marks in members around the world.

The objective of the TLT is to harmonize the procedures used by the members in filing trademark applications, recording changes of name and address of trademark holders, recording changes in ownership, renewing registrations, and in related procedures. At the present time, these procedures differ, sometimes radically, among the countries of the world. These differences cause aggravation and additional expense to a trademark owner who wants to protect its mark in foreign countries.

A frequent complaint of U.S. trademark owners is that many procedures required by certain foreign countries are non-substantive and unduly technical and expensive. Trademark owners view these procedures as revenue-generating measures rather than valid requirements because they often require the payment of substantial official fees to the local trademark office. The TLT dispenses with many of these requirements.

Provisions of the TLT prohibit members from imposing their own requirements. Members will be permitted to mandate only those requirements specifically stated in the treaty.[28] Therefore, the TLT's effect is to prescribe "maximum requirements" members may impose.

A primary advantage of the TLT is that it will require only very minor changes in U.S. trademark laws and procedures. At the same time, however, the treaty will bring the laws of other member countries more into line with U.S. practice and procedures. The treaty and its resulting legislation will affect all U.S. trademarks and service marks.

Specific treaty provisions of interest to the United States include the following:

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[27] Membership is open both to countries and to intergovernmental organizations such as the European Union. Countries and intergovernmental organizations are jointly referred to as "members" in this Article. Members are called "contracting parties" in the treaty.

[28] Trademark Law Treaty, *supra* note 3, arts. 3(7), 5(4).

Durango, Mexico[16] and CALIFORNIA MIX for dried fruit and nut mix not made in California.[17] Prior to the NAFTA amendment, such marks were registrable on the Supplemental Register, and on the Principal Register if they had become distinctive of the applicant's goods or services (i.e., acquired secondary meaning). Rejection on the Principal Register was proper under section 2(e)(2) of the Lanham Act,[18] but proof of secondary meaning under section 2(f)[19] could overcome the rejection. Primarily geographically deceptively misdescriptive marks are now unregistrable on either register.[20]

The NAFTA Implementation Act was enacted in the United States on December 8, 1993. This date is important in several respects. First, the new registration bar applies only to applications filed on or after that date.[21] Second, primarily geographically deceptively misdescriptive marks which were used on any goods or services prior to December 8, 1993 will still be registrable on the Supplemental Register.[22] Finally, if the mark acquired secondary meaning before that date, it will still be registrable on the Principal Register.[23]

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[16] *In re* Loew's Theatres, Inc., 769 F.2d 764, 226 U.S.P.Q. (BNA) 865 (Fed. Cir. 1985).

[17] *In re* Midwest Nut & Seed Co., 214 U.S.P.Q. (BNA) 852 (T.T.A.B. 1982). Other marks which have been found to be primarily geographically deceptively misdescriptive include NEW ENGLAND for bread and rolls not baked in the New England area, *In re* Pan-O-Gold Baking Co., 20 U.S.P.Q.2d (BNA) 1761 (T.T.A.B. 1991); MANHATTAN for cookies not made in New York, *In re* The Cookie Kitchen, Inc., 228 U.S.P.Q. (BNA) 873 (T.T.A.B. 1986); and NEAPOLITAN for Italian sausage not made in Naples, *In re* Jack's Hi-Grade Foods, Inc., 226 U.S.P.Q. (BNA) 1028 (T.T.A.B. 1985).

[18] 15 U.S.C. § 1052(e)(2) (1994).

[19] 15 U.S.C. § 1052(f) (1994).

[20] 15 U.S.C. §§ 1052(e)(3), 1052(f), 1091(a) (1994).

[21] 15 U.S.C.A. § 1052(f) (West Supp. 1995).

[22] 15 U.S.C. § 1091(a) (1994).

[23] 15 U.S.C. § 1052(f) (1994).

The other amendment from GATT/TRIPS prohibits registration of marks which misidentify the place of origin of wines or spirits. Specifically, any mark which "[c]onsists of or comprises . . . a geographical indication which, when used on or in connection with wines or spirits . . . identifies a place other than the origin of the goods" will be unregistrable under section 2(a) of the Lanham Act.[10] But there is an important grandfather clause: the prohibition does not apply to marks of this type used on or in connection with wines or spirits prior to January 1, 1996.

The new section 2(a) prohibition stems from longstanding complaints from some countries, mainly in Mediterranean Europe, that wine and spirits producers, particularly in the United States and Asia, have misappropriated or genericized the names of certain regions well known for their wines and spirits. The GATT/TRIPS amendment was the culmination of a long and sometimes bitter struggle on this issue. Both sides appear to be victorious—the Mediterranean countries by obtaining the prohibition, and the other countries by obtaining the grandfather clause. Examples of marks that might be unregistrable under this provision, if not grandfathered, are those that include the geographical indications "Burgundy" or "Champagne" used on goods not made in those places.

Also, under the treaty, *use* of these types of marks may be proscribed even if the true origin of the wine or spirit is indicated, or the geographical indication is used in translation or accompanied by expressions such as "kind," "type," "style," "imitation," or the like.[11] However, the Lanham Act has not been amended to explicitly prohibit *use* of these marks—the amendment deals only with *registration*.

Marks that are subject to the new section 2(a) rejection will not be registrable upon the Principal Register even upon acquisition of secondary meaning, nor will they be registrable on the Supplemental Register.[12] This is an absolute prohibition against registration under the Lanham Act.

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[10] 15 U.S.C.A. § 1052(a) (West Supp. 1995). This change was made to comply with TRIPS, *supra* note 5, art. 23(2).

[11] TRIPS, *supra* note 5, art. 23(1).

[12] *See* 15 U.S.C.A. §§ 1052, 1091 (West Supp. 1995).

I. INTRODUCTION

Keeping in step with today's worldwide trends to harmonize laws which facilitate international trade and global markets, the United States has recently negotiated four treaties that have changed or, if implemented, will change U.S. trademark law and practice. These treaties are:

(1) The recently-amended General Agreement on Tariffs and Trade ("GATT"),[1] now implemented in the United States;

(2) The North American Free Trade Agreement ("NAFTA"),[2] now implemented in the United States;

(3) The Trademark Law Treaty ("TLT"),[3] in the process of being implemented in the United States; and

(4) The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol"),[4] currently on hold in the United States.

This Article will examine each of these treaties and the changes each brings (or may bring) to U.S. trademark law and practice.

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[1] General Agreement on Tariffs and Trade, *opened for signature* Oct. 30, 1947, 61 Stat. A3, 55 U.N.T.S. 187 [hereinafter GATT].

[2] North American Free Trade Agreement, Dec. 8, 1993, Can.-Mex.-U.S., art. 1712, 32 I.L.M. 289 [hereinafter NAFTA].

[3] Trademark Law Treaty, Oct. 28, 1994, 49 Pat., Trademark & Copyright J. 29 (BNA) (Nov. 10, 1994) [hereinafter Trademark Law Treaty].

[4] Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, June 27, 1989, art. 10(3)(a), WIPO Pub. No. 204(E) [hereinafter Madrid Protocol].

semiconductor manufacturers around the world, however, the letters were not sent out until just two days before the complaint was filed.

It is difficult to predict how the ITC might rule in this case, although the fact that it initiated the investigation at all may be some indication that the ITC is willing to entertain the complainants' licensing theory. If that is true, instituting the investigation seems irreconcilable with at least one previous case in which the ITC declined to investigate where the domestic industry was based in part on licensing activities, and the complaint referenced only three attempts to license the patent—each attempt being made to the same company or its U.S. licensee.[67]

V. CONCLUSION

In addressing the concerns of GATT, the amendments to section 337 will be of lasting importance. Yet, their impact on the fate of section 337 litigation may pale in importance when compared to the other developments outlined in this article. Will the use of section 337 against U.S.-based companies increase in the wake of *Texas Instruments* and *Sputtered Disks*? Will the pull of *Beverly Hills Fan* coupled with the spawning of "rocket dockets" in the federal courts diminish the use of the statute? Will the broad reach of the ITC's remedial powers reiterated by *Integrated Circuit Telecommunication Chips* entice litigants to use section 337? Or will the large damage awards now often dispensed in patent cases in district courts make them the forum of choice? It certainly will be interesting to see whether the ITC, under amended section 337, will move in the direction of becoming an international patent forum, whether it will continue to serve as an arbiter of a more limited class of disputes, or whether the fall-off in section 337 filings will continue, thereby making the ITC a bit player in disputes over U.S. intellectual property. Only time will tell.

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[67] *See* Charles F. Schill, *Protection of Intellectual Property Rights at the U.S. International Trade Commission*, 1991 COMPUTER LAW REP. 267, 272 (describing Allegheny Ludlum's case against Nippon Steel).

of a domestic industry in an article of commerce incorporating the intellectual property right. Second, Congress attempted to remedy what it called an "unduly narrow" interpretation of the term "domestic industry" by codifying for the first time the criteria necessary to establish the existence of a domestic industry: specifically, the new criteria include investment in domestic research and development or licensing in the list of activities potentially constituting a domestic industry.[60] These amendments effectively eliminated previous barriers to successfully alleging and proving a domestic industry case. As former Chief Judge Saxon remarked: "Congress has taken most of the controversy about the domestic industry issue out of the statute."[61]

With the research and development question fairly well resolved,[62] the licensing prong of the domestic industry requirement has now become the focus of whatever minimal domestic industry controversy remains in the statute. The issue arose most dramatically in the case of *Certain Memory Devices With Increased Capacitance* ("*Memory Devices*")[63] filed just days before the effective date of the 1994 amendments.

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[60] The list of qualifying domestic activities with respect to articles protected by U.S. intellectual property rights are: "(A) significant investment in plant and equipment; (B) significant employment of labor or capital; or (C) substantial investment in its exploitation, including engineering, research and development, or licensing." 19 U.S.C. § 1337(a)(3) (1994).

[61] Certain Static Random Access Memories, Initial Determination (Order No. 9), 1991 ITC LEXIS 418, at *8-9, Inv. No. 337-TA-325 (May 1991).

[62] Prior to the amendments it had been well established that the definition of U.S. industry in a Section 337 investigation included research and development activities. *Schaper*, 717 F.2d at 1372 (citing numerous Commission decisions). It was equally well-established, however, that such activities standing alone were insufficient to establish a domestic industry. *Id.* at 1371-72 n.7., 219 U.S.P.Q.2d (BNA) at 668 n.7. In Certain Plastic Encapsulated Integrated Circuits, USITC Pub. 2574, Inv. No. 337-TA-315 (Nov. 1992), the ITC affirmatively found a domestic industry based solely on the complainant Texas Instrument's investment in research and development in connection with its encapsulation patent, thereby confirming that the 1988 amendments reversed this aspect of *Schaper*.

[63] Inv. No. 337-TA-371, Notice of Institution of Investigation (Jan. 1995).

Hualon Microelectronics Corp. ("HMC"),[51] the Commission addressed the question of the appropriate remedy. Complainants proposed an order that would cover "low-end" telephones that included chips that had been found by the ITC to infringe its patents.[52] Respondents countered that "the exclusion of products manufactured by persons *other than named respondents* is effectively a general exclusion order with respect to those products,"[53] the issuance of which requires complainants to meet the more stringent standards for such orders.[54] As complainants had never sought a general exclusion order, respondents argued that they could not now achieve it through the back-door.

The Commission disagreed:

> A general exclusion order prohibits importation of infringing articles regardless of source or manufacturer. The limited exclusion order we issue in this case prohibits only importation of infringing tone dialer chips manufactured by [respondent] HMC, and extends that exclusion to certain downstream products containing such chips. That the source or manufacturer of those downstream products is not specified or limited is a factor we considered in determining whether the exclusion of those products is warranted, but does not turn the order into a general exclusion order.[55]

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[51] One chip manufacturer had settled and the Commission held that there had been insufficient proof of any importation by the other manufacturer. *Id.* at 2 nn. 1 & 25.

[52] *Id.* at 22.

[53] *Id.* at 26 (emphasis in original).

[54] *See* Certain Airless Paint Spray Pumps and Components Thereof, USITC Pub. 1199 at 18, Inv. No. 337-TA-90 (Nov. 1981) (complainant seeking general exclusion order must "prove both a widespread pattern of unauthorized use of its patented invention and certain business conditions from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles"). These criteria were incorporated into the statute by the 1994 amendments at 19 U.S.C. § 1337(d)(2) (1994).

[55] Integrated Circuit Telecommunication Chips, USITC Pub. 2670 at 2, Inv. No. 337-TA-337 (Aug. 1993).

the Commission a "nationwide trial-level tribunal" for resolution of domestic intellectual property disputes.[42] Although the ITC chose not to address this question, its silence does little to conceal the fact that one effect of the opinion undoubtedly is to establish the availability of the ITC forum to a broader range of litigants.[43] Moreover, without instituting a citizenship test for its jurisdiction, which undoubtedly would run afoul of the GATT, there seems little basis other than pure policy that could have supported any other result.[44]

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[42] 58 Fed. Reg. 36,704 (1993). The ITC also left open the question of whether it continues to have discretion in particular cases to decline to impose exclusion orders on domestically-manufactured goods that are later imported, as it did in *EPROMs*. Thus, although the ITC has ruled it has jurisdiction over domestically-manufactured articles that are subsequently imported, the question remains whether it will take into account the status of a particular respondent as a domestic manufacturer in fashioning its remedy.

[43] In addition to the cases described above confirming the permissible use of section 337 against U.S. companies, the availability of the section 337 forum to "foreign" companies who own U.S. intellectual property rights has been reinforced by at least one recent case in which both the complainant (Ricoh) and respondent (Samsung) were well-known foreign companies. Certain Facsimile Machines, Inv. No. 337-TA-367 (USITC, Sept. 1994).

[44] The notion that only companies of foreign citizenship or ownership are susceptible to section 337 investigations was dismissed long ago. *See* Schaper Mfg. Co. v. USITC, 717 F.2d 1368, 1371, 219 U.S.P.Q. (BNA) 665, 668 (Fed. Cir. 1983). The most that can be said on behalf of the contrary view is that it may find support in a few general statements in the legislative history suggesting that the focus of a Section 337 investigation is on foreign companies. More important, the refusal of the ITC to exercise jurisdiction over infringing domestically-manufactured goods that are later imported into the U.S. might result in discriminatory treatment of foreign companies who wish to bring actions before the ITC. Indeed, one criticism of the GATT Panel Report was that domestic manufacturers had rarely been investigated under the section. Finally, it is not clear how a decision restricting jurisdiction would comport with *Texas Instruments* or with other areas of U.S. trade law where U.S. manufacturers have been held accountable for unlawful activities such as dumping. *See, e.g.*, Brother Indus. (USA), Inc. v. United States, 801 F. Supp. 751 (Ct. Int'l Trade 1992) (U.S. subsidiary of Japanese typewriter firm has standing to file anti-dumping petition against U.S.-based manufacturer with overseas operations).

individual U.S. inventor, Harry Aine, against twenty U.S. and foreign companies—including virtually every significant U.S. and foreign manufacturer in the industry—for a method of overcoating thin film media (disks) with sputter-deposited carbon designed to protect the disks and increase their resistance to wear.

The ITC initiated an investigation of the disks and products containing them on May 5, 1993.[36] A number of domestic manufacturers and importers of the allegedly infringing disks immediately moved for summary determination on the grounds that the ITC had no jurisdiction over the domestically-manufactured disks despite the fact that they were shipped abroad for assembly and then imported for sale. The presiding Administrative Law Judge agreed with respondents, finding himself bound by a statement in the ITC's 1989 decision in *Certain Erasable Programmable Read-Only Memories* ("*EPROMs*"),[37] that the ITC would not issue an exclusion order against infringing products made in the United States, exported for further assembly, and then re-imported.[38]

Recognizing the importance of this case, the ITC took the unusual step (in section 337 cases) of hearing oral argument. In a unanimous

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[36] 58 Fed. Reg. 26,797 (1993).

[37] USITC Pub. 2196, Inv. No. 337-TA-276 (May 1989).

[38] *Sputtered Disks*, Initial Determination Granting Motion Terminating Respondents (Order No. 16), 1993 ITC LEXIS 288 at *68-71, Inv. No. 337-TA-350 (USITC, May 1993) (quoting *EPROMs*, Commission Opinion at 129). In *EPROMS*, the Commission noted that:

> [w]e also determine that the exclusion order should not apply to GI/Microchip EPROMs, the wafers of which were fabricated in the United States, shipped overseas for assembly, and then re-imported into the United States. The infringement . . . is in the electronic circuitry, which is embodied in the chip during wafer fabrication. Thus, the infringement, if any, with respect to these EPROM wafers and the resulting assembled EPROMs, takes place in the United States. Intel has a remedy in federal district court against infringement occurring in the United States. Such infringement is beyond the scope of the Commission's jurisdiction in section 337.

section 337 against American companies as "pernicious and dangerous," suggesting that the law was being abused by "the technicality of calling offshore assembly 'imports'," and pleaded with Texas Instruments to drop its "destructive" ITC action and instead "fight it out honorably" in federal court.[27] Wilfred Corrigan of LSI Electronics stated that "it is an abuse of the ITC process to file against American companies. The section 337 import exclusion process was clearly intended to deal with foreign companies."[28] Some scholars reached precisely the same conclusion.[29]

Nonetheless, the ITC concluded that the evidence and public policy supported finding a violation. On appeal, the domestic companies argued that they were immune from remedial orders under section 337 because, while they were importers of the accused products, they were also, as domestic manufacturers of encapsulated circuits, members of the domestic

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[27] Letter of T.E. Rodgers, *Jugular Economics*, ELECTRONIC NEWS, Nov. 5, 1990, at 4.

[28] Jack Robertson, *Corrigan: TI Trying to Stifle Small Firms*, ELECTRONIC NEWS, Aug. 6, 1990, at 4.

[29] *See* DUVALL, *supra* note 7, at 20. Duvall notes that:

> [a]pplying section 337 in such circumstances is occurring more frequently because international competition in high technology products, such as semiconductors, makes imperative the off-shore production of such labor-intensive functions. Although this economic necessity is no excuse for patent infringement, the fact that all the respondents are within the personal jurisdiction of a U.S. district court, in which remedial relief in the form of damages and/or an injunction is available, suggests that the ITC forum under section 337 is unnecessary and inappropriate, especially where, as alleged in the *Integrated Circuits* investigation, complainant's principal purpose in using the statute appeared to be to leverage increases in the royalties from its patents rather than to protect its marketshare of product sales. It is also arguable that use of section 337 against U.S. rather than foreign manufacturers is not only contrary to the legislative intent of the statute, but subverts the U.S. public policy to strengthen the international competitiveness of U.S. industries, especially in the high technology sector.

if followed, restrict the use of the PPAA in litigation (or as a tactic in licensing negotiations) where "indirect" imports are concerned.

There is, however, no corresponding limitation contained in section 337. Thus, under section 337 case law, a violation may be found "even when the importation is not made directly by a respondent where the pre-importation sale of the infringing articles by the owner to the actual importer was known or reasonably should have been known by the owner to be for the ultimate purpose of such importation . . . even if the manufacturer does not . . . deal directly with U.S. importers."[19] Indeed, the statute itself was amended in 1988 to make this clear by the addition of the words "sale *for* importation" as an element of a violation.[20]

Finally, it is possible that the very recent *en banc* decision of the Federal Circuit in *Markman v. Westview Instruments, Inc.*[21] could have an impact on section 337 filings. *Markman* resolved a conflict in Federal Circuit law by holding that the construction of patent claims is exclusively a matter of law for judges, not juries, to decide.[22] One result of the *Markman* decision

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[19] DUVALL, *supra* note 7, at A-518. In Certain Battery-Powered Ride-On Toy Vehicles and Components Thereof, USITC Pub. 2420, Inv. No. 337-TA-314 (Apr. 1991), described by former ITC Judge Duvall, the evidence of the owner-respondent's knowledge of subsequent importation was respondent's own admission and a copy of a facsimile sent by respondent to a U.S. importer stating that "it knew its toys were being exported to Miami, San Francisco and Long Beach, among other places."

[20] 19 U.S.C. § 1337(a)(1)(B)-(D) (1994) (emphasis added); *see also* Certain Sputtered Carbon Coated Computer Disks and Products Containing Same, Including Disk Drives, USITC Pub. 2701 at 13, Inv. No. 337-TA-350 (Nov. 1993) (three of six Commissioners state in dicta that the requisite "nexus" of an importation to an unfair act would exist "when a respondent that sold infringing articles knew or should have known that those articles would be subsequently exported to the United States."); *cf.* Certain Integrated Circuit Telecommunication Chips, USITC Pub. 2670, Inv. No. 337-TA-337 (Aug. 1993) (issuing exclusion order covering downstream products of non-respondents that contained respondents' infringing chips).

[21] 52 F.3d 967, 34 U.S.P.Q. 2d (BNA) 1321 (Fed. Cir. 1995) *cert. granted*, 64 U.S.L.W. 3207 (U.S. Sept. 27, 1995) (No. 95-26).

[22] *Id.* at 976-79, 34 U.S.P.Q.2d (BNA) at 1327-29.

The first important case, *Beverly Hills Fan Co. v. Royal Sovereign Corp.*,[11] involved a suit for patent infringement against a Taiwanese manufacturer of fans and another company that imported and distributed the fans. Although the plaintiff was a Delaware corporation, it sued in the United States District Court for the Eastern District of Virginia. Presumably, the plaintiff filed in that court, known in many circles as having a "rocket docket," in the hope of taking advantage of its expeditious resolution of cases.

The defendant, a Taiwanese manufacturer, argued that the district court did not have personal jurisdiction over it because, among other things, it had never directly shipped the allegedly infringing product into Virginia. Although the district court agreed, the Federal Circuit reversed, holding that the shipment of fans through an established distribution channel was sufficient to satisfy the Supreme Court's test of "minimum contacts." Specifically, the court found that the degree of contact involved was enough to provide "fair warning" to a nonresident corporation that it would be subject to personal jurisdiction in the forum.[12]

Significantly, the Federal Circuit did not, as would be its normal practice on procedural questions, base its holding on an application of the law in which the district court sits; rather, it decided to create and apply a uniform standard to all patent cases.[13] In so doing, the Federal Circuit formulated a uniform "stream of commerce" test for establishing jurisdiction in patent cases. As a consequence, the Federal Circuit's holding will make it easier to establish jurisdiction over a foreign company in patent infringement actions by permitting a court to exercise personal jurisdiction where the alleged foreign infringer's sole contact with the forum results from indirect shipments through a distribution channel. The decision in *Beverly*

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[11] 21 F.3d 1558, 30 U.S.P.Q.2d (BNA) 1001 (Fed. Cir. 1994), *cert. dismissed*, 115 S. Ct. 18 (1994).

[12] *Id.* at 1565, 30 U.S.P.Q.2d (BNA) at 1012.

[13] *See also* Akro Corp. v. Luker, 45 F.3d 1541, 1543-44, 33 U.S.P.Q.2d (BNA) 1505, 1507 (Fed. Cir. 1994) (holding that amenability to service of process linked to jurisdiction but subject to "long-arm" statute of forum state), *cert. denied*, 115 S. Ct. 2277 (1995); North Am. Philips Corp. v. American Vending Sales, 35 F.3d 1576, 1579, 32 U.P.S.Q.2d (BNA) 61203, 1205 (Fed. Cir. 1994) (situs of "tort" of patent infringement is question of federal law).

I. INTRODUCTION

With the recently enacted amendments[1] to the Tariff Act of 1930,[2] Congress has finally confronted various long-standing allegations that section 337 of the Act contravenes the obligations of the United States under the General Agreement on Tariffs and Trade ("GATT").[3] In particular, the new legislation responds to findings contained in a 1989 GATT Panel[4] Report[5] which concluded that section 337 violated the national treatment provisions of the GATT. Although the amendments, as the Senate Report candidly admits, "do not create procedures identical in all respects for the enforcement of intellectual property rights with respect to domestically produced and imported goods[,]"[6] they do appear to address the chief concerns raised in the Panel Report. Many practitioners and supporters on Capitol Hill have long believed that uncertainty created by the GATT Panel Report was at the root of a continuing decline in the number of complaints

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[1] Pub. L. No. 103-465, 108 Stat. 4809 (1994) (codified at 19 U.S.C. § 1337 (1994)).

[2] 19 U.S.C. § 1337 (1994).

[3] *See* General Agreement on Tariffs and Trade, *opened for signature* Oct. 30, 1947, 61 Stat. A3, 55 U.N.T.S. 187 [hereinafter GATT]. GATT is an international treaty designed to ease international trade barriers by restricting tariffs, banning national quotas, and providing an impartial forum for the resolution of trade disputes.

[4] In trade disputes between GATT signatories, complaining parties unable to reach a satisfactory settlement within a reasonable period of time may petition to convene an adjudicatory panel under Article XXIII:2 of GATT. The panel, selected from a roster of specialists, considers written and oral submissions before issuing an opinion on the legality of the challenged trade practice. The panel's report becomes legally authoritative if adopted by GATT's signatories, who may then press the offending party to reform the challenged practice or compensate the complaining party.

[5] GATT Dispute Settlement Panel Report: United States—Section 337 of the Tariff Act of 1930, L/6439, 36 B.I.S.D. 345 (adopted Nov. 7, 1989).

[6] S. REP. NO. 412, 103d Cong., 2d Sess. 119 (1994).

The new provisions for a general exclusion order, however, appear to be narrower in that they are exclusive and more specific than prior Commission practice. At the same time, the two statutory factors are arguably broader to the extent that they may not require all of the evidence required under the *Spray Pumps* test. For example, the first factor would appear to justify the issuance of a general exclusion order upon evidence of likely circumvention of an exclusion order by a single foreign respondent, without reference to the other *Spray Pumps* factors.

The second factor is more similar to the *Spray Pumps* test, but specifically requires both a "pattern of violation of this section" (does this require actual importation of other infringing articles?) and that it is "difficult to identify the source of infringing products." The latter requirement is more specific and limited than the *Spray Pumps* test.

It is unclear how a complainant could show that there will be circumvention or a "pattern of violation" prior to the issuance of an exclusion order. Can a complainant seek to have a limited exclusion order replaced with a general exclusion order after a limited exclusion order is found to be ineffective? How can a complainant justify a general exclusion in the first instance? What is the interaction between the two factors? The commission has noted that it "expects the law in this area to continue to develop on a case-by-case basis in view of the new statutory language,"[78] and that these and other issues remain to be resolved.

E. *What Has Not Been Changed?*

In terms of what a complainant must prove to win a section 337 case, the statute has not changed at all. In a case based on infringement of a patent or federally-granted copyright, trademark or mask work, the complainant must still prove that there has been infringement, that the infringement was by an imported article, and that a domestic industry exists or is in the process of being established in connection with the infringed intellectual property right. In other cases, the complainant must prove that an unfair act occurred in connection with an imported article which destroyed, substantially injured, or prevented the establishment of a domestic industry.

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[78] 59 Fed. Reg. 67,625 (1994).

> subject to such protective order as the district court determines necessary, to the extent permitted under the Federal Rules of Evidence and the Federal Rules of Civil Procedure.[73]

Thus, there is a possibility that duplicative evidentiary records will not have to be established before the Commission and the court.

The practical result of the provision permitting the Commission's record to be used in district court remains to be seen. Although the language about admissibility is mandatory, it permits the district court to issue a protective order and also limits the admissibility to the extent permitted by the Federal Rules of Evidence. The Commission, as an administrative agency, has wider latitude than a court with respect to the kinds of evidence which it can admit and consider. The Commission has not adopted the Federal Rules of Evidence, and it is thus not clear how much of the Commission's record will be admissible before the court, or whether admission of the Commission's record eliminates the need to develop a separate record in court. Moreover, it is not clear whether the "record" includes the Commission's decision, and what, if any, impact the new provisions would have on the potential res judicata or collateral estoppel effect of the Commission's findings. These issues become particularly problematic when the district court proceeding involves a jury.

Thus, the 1994 amendments do not eliminate the possibility that a respondent could be forced to litigate before both the Commission and the court. Instead, the amendments attempt to lessen the burden on the respondent of litigating in several fora by permitting the respondent to stay the district court case and by permitting the use of the Commission record in court, provided that certain requirements are met. By adding provisions for counterclaims and giving district courts original jurisdiction over compulsory counterclaims, moreover, the 1994 amendments create the possibility that a respondent can effect litigation in two fora.

D. *Availability and Enforceability of Relief*

Although the GATT Panel Report did not find that the availability of general exclusion orders violated the GATT obligations of the United States,

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[73] URAA, *supra* note 70.

The first way in which the implementing legislation attempts to lessen the burden of multiple litigation is by adding a provision to Title 28 of the U. S. Code. This new section provides that:

> [i]n a civil action involving parties that are also parties to a proceeding before the United States International Trade Commission under section 337 of the Tariff Act of 1930, at the request of a party to the civil action that is also a respondent in the proceeding before the Commission, the district court shall stay, until the determination of the Commission becomes final, proceedings in the civil action . . . that involves the same issues involved in the proceeding before the Commission, but only if such request is made within
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> (1) 30 days after the party is named as a respondent in the proceeding before the Commission, or
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> (2) 30 days after the district court action is filed, whichever is later.[70]

Thus, in many instances, a respondent will be spared the burden of having to litigate in two fora at the same time. To effect this outcome, the respondent must file its motion for a stay in a timely manner, which it can do regardless of the order of filing of the section 337 and district court cases. A failure to make a timely filing would eliminate a stay from being granted automatically. Of course, seeking a stay is not required. Hence, there is no assurance that a section 337 respondent that also is named as a defendant in a district court action will seek to stay the latter.

Further, a stay is automatically available only with respect to "proceedings in the civil action that involves the same issues involved in the proceeding before the Commission."[71] It remains to be seen how this provision will be implemented, since many unanswered questions remain. For example, does the automatic stay provision govern counterclaims removed from the ITC to a district court? The broad language of the statute would at first glance appear to include such actions, since it refers to a stay of the "proceedings in the civil action." However, with respect to the timing

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[70] Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4945 (1994) (to be codified as 28 U.S.C. § 1659(b)) [hereinafter URAA].

[71] *Id.*

Therefore, although a respondent can file and then remove any counterclaim, it must establish an independent basis for the court's jurisdiction unless the counterclaim is compulsory.

The last sentence in revised section 337(c) is interesting for several reasons. By providing that the pendency of a counterclaim is not to "delay" the Commission's proceeding, Congress intended to assure that its counterclaim and removal provision was not to be used as a procedural tool by a respondent to slow down the section 337 case. The statement that the counterclaim is not to "affect" the section 337 proceeding may have several implications. One is that a respondent can continue to assert all available defenses before the Commission even if it has also asserted them as counterclaims and is litigating them in district court. Thus, a respondent is not substantively worse off at the Commission in terms of defending itself because it filed a counterclaim. Another is that the Commission is to continue to consider so-called "public interest" factors in deciding whether to grant relief to a complainant.

It could perhaps be argued that the last sentence of section 337(c) means that the Commission is not to consider the relief that a respondent has or may receive in court when deciding what relief to give to a prevailing complainant. The Commission does not accept this interpretation. In its section-by-section analysis of the Interim Rules,[65] the Commission states that "it is not precluded from considering judicial rulings on counterclaims as part of the Commission's consideration of the effect of a remedial order on the public interest."[66]

The Commission has added Interim Rule 210.14(e) to implement amended section 337(c).[67] Rule 210.14(e) permits a respondent to file a counterclaim at any time prior to ten business days before the beginning of the section 337 evidentiary proceeding. The respondent also must file a notice of removal in the appropriate district court. The Commission explains this timing requirement as giving a respondent the opportunity to assert a

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[65] Procedures for Investigations and Related Proceedings Concerning Unfair Trade Practices in Import Trade, 59 Fed. Reg. 67,622 (1994).

[66] *Id.* at 67,624.

[67] 19 C.F.R. § 210.14(e) (1994).

Only time will tell whether the Commission will adhere generally to the previous time limits when it is not statutorily required to do so. An indication of its intent is given by the Interim Rules which implement the 1994 amendments.[57] Reflecting the amendments, the Interim Rules provide that the Administrative Law Judge is to issue an order establishing a target date for completion of the investigation within forty-five days after institution of an investigation.[58] If the target date is fifteen months or less from institution, the judge's order is final and not subject to interlocutory review. If the target date is more than fifteen months from institution, the judge's order is an Initial Determination subject to Commission review. The judge can also modify a target date for good cause shown at any time before the case is certified to the Commission; the Commission can do the same after certification. To date, the Commission has generally kept to a twelve-month schedule.[59]

B. *Counterclaims*

One of the GATT Panel Report's criticisms of section 337 was that it did not permit counterclaims (although respondents could assert affirmative defenses).[60] Section 337(c) now provides that:

> [a] respondent may raise any counterclaim in a manner prescribed by the Commission. Immediately after a counterclaim is received by the Commission, the respondent

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[57] Procedures for Investigations and Related Proceedings Concerning Unfair Trade Practices, 59 Fed. Reg. 67,622 (1994).

[58] 19 C.F.R. § 210.42(a) (1995). The date on which the judge's Initial Determination ("ID") on the merits of an investigation is due depends on how many months are anticipated before the investigation is completed. If the target date is fifteen months or less from institution, the ID is due three months before the target date. 19 C.F.R. § 210.42(a)(1)(i)(1995). If the target date exceeds fifteen months, the ID is due four months before the target date. *Id.*

[59] *See, e.g.*, Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing the Same, Inv. No. 337-TA-372 (USITC, March 1995) (setting a target date which was approximately 12 months after institution).

[60] GATT Panel Report, *supra* note 41, at 56.

discriminatory nature of the Commission's power to issue general exclusion orders, it did not find this to violate the GATT obligations of the United States because the power to issue such orders was considered necessary.

As a result of the Panel Report, the United States Trade Representative ("USTR") published a notice requesting comment on five proposals to amend section 337 in order to bring the United States into compliance with its GATT obligations. The five proposals were: (1) creation of a specialized Article III patent court to hear all patent-related litigation; (2) creation of a specialized division of the U.S. Court of International Trade ("CIT") to hear patent infringement cases involving imports; (3) transferring patent-based section 337 cases to a specialized division of the CIT or to designated district courts at the request of a respondent; (4) permitting the transfer of a patent-based section 337 case to a district court following a hearing at the ITC on temporary relief; and (5) bifurcated proceedings whereby cases would be transferred after completion of what is currently the violation portion of a patent-based section 337 action.[49]

Following the publication of the USTR proposals, a number of bar organizations and industry groups submitted comments. Many of them opposed sweeping changes to section 337, favoring the least drastic changes required to bring the statute into compliance with GATT.[50] In 1993, Senator Rockefeller introduced a bill to amend section 337 which would provide for the removal of fixed time limits for permanent relief, the ability of respondents to assert related counterclaims at the ITC, an opportunity for respondents to bring a declaratory judgment proceeding at the ITC, and automatic stays of parallel district court proceedings at the option of a respondent.[51]

After additional debate, a general consensus for amending section 337 was reached among the USTR, various bar groups, and industry representatives. The amendments adopted in 1994 generally track this consensus position and were intended to solve the shortcomings of section

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[49] 55 Fed. Reg. 3503 (1990) (Revisions to U.S. Patent Enforcement Procedures; Section 337: Request for Public Comments).

[50] *See, e.g.*, Position Paper of the ITC Trial Lawyers Association with Respect to Proposed Modifications of Section 337 (Apr. 1992).

[51] S. REP. NO. 148, 103rd Cong., 1st Sess. (1993).

Panel Report. Eventually, it was announced that the United States would no longer block adoption but would neither join in nor accept the Report. At the same time, President Bush announced that: "[p]ending enactment of legislation amending section 337, which could most effectively occur through Uruguay Round legislation, the Administration will continue to enforce section 337 without change."[42] That same day, November 7, 1989, the GATT Council accepted the GATT Panel Report.

The Report identified several ways in which section 337 was claimed to deny national treatment with respect to imported goods. The identified differences, including time limits, counterclaims, choice and availability of fora, and availability of relief, are discussed below.

1. Time Limits

Section 337 required the Commission to complete a section 337 case and render a final determination within one year (up to a maximum of 18 months in more complicated cases).[43] There was no comparable time limit in district court, and patent infringement litigation in district court typically took longer. Hence, a respondent in a section 337 case was subjected to more rapid discovery, a quicker trial, and the imposition of a remedy against it (if it lost) much sooner than a defendant in a district court case.

2. Counterclaims

A section 337 respondent could not assert a counterclaim, whereas a district court defendant could, and in fact was sometimes required to, assert a counterclaim.[44]

3. Choice of Fora

A domestic patent owner could bring an action under section 337, or file an action in district court, or file both with respect to allegedly infringing

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[42] President's Memorandum for the U.S. Trade Representative, PUB. PAPERS 1476 (Nov. 7, 1989).

[43] 19 U.S.C. § 1337(b) (1994).

[44] FED. R. CIV. P. 13.

Another advantage was that a complainant could proceed before the Commission and in court on the same underlying cause(s) of action by filing parallel cases with the Commission and in district court.[36] Having to defend itself in two jurisdictions, the respondent/defendant would become rapidly involved in a costly and procedurally complex situation. In addition, the risks were great for the respondent/defendant, since it could be subject not only to Commission exclusion and cease and desist orders barring it prospectively from the U.S. market, but to a court judgment awarding damages for past infringement or other misdeeds as well. This pressure was further increased in that a typical respondent had very little time to organize and mount a defense at the ITC.

Further, a complainant could bring an action at the Commission without any risk of being found to be liable to the respondent. Since the Commission did not permit counterclaims, a complainant could prevail or lose on its claim without being subject to whatever claims a respondent might have against it.

Yet another advantage resulted from the *in rem* jurisdiction of section 337 proceedings.[37] A case could proceed against products outside the United States even though their manufacturers and owners could not be, or had not been, served. A prevailing complainant could potentially obtain an exclusion order (but not a cease and desist order) that applied to non-parties' products. Exclusion orders were automatically enforced by the U.S. Customs Service, so that a prevailing complainant obtained the full benefit of its victory without any further action or any additional costs.

At least in theory, section 337 offered advantages to respondents as well. The tight statutory time limits assured that they would not be engaged in interminable, and costly, discovery and litigation. If the case lacked merit, it would be disposed of quickly, and the respondent would be free to conduct its business without the cloud of litigation. All section 337 cases were decided by Administrative Law Judges in the first instance and by the Commission on review. Hence, respondents would not have to face a jury

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[36] *See* 19 U.S.C. § 1337(a) (acts bound to violate section 337 "shall deal with, *in addition to any other provisions of law*, as provided in this section." (emphasis added). *See also* In re Convertible Rowing Exerciser Patent Litigation, 814 F. Supp. 1197 (D. Del. 1993).

[37] *See, e.g.*, Sealed Air Corp. v. USITC, 645 F.2d 976 (C.C.P.A. 1981).

2. The 1988 Amendments

Major revisions, strengthening section 337, were made in 1988 as part of the Omnibus Trade and Competitiveness Act of 1988 ("1988 Act").[26] As the legislative history notes, the 1988 Act was passed in light of evidence that "piracy and inadequate protection of American intellectual property has resulted in worldwide losses of close to $24 billion."[27] The "fundamental purpose" of the amendments made by the 1988 Act was "to strengthen the effectiveness of section 337 in addressing the growing problems being faced by U.S. companies from the importation of articles which infringe U.S. intellectual property rights."[28]

Certain causes of action were treated differently from others in the amended statute. Specifically, where the underlying cause of action involved infringement of a patent or a federally-issued trademark, copyright, or mask work, there was no longer a need to prove injury.[29] As to these causes of action, moreover, a domestic industry was considered to exist if there was (with respect to articles covered by the infringed intellectual property right) either significant investment in plant and equipment, or significant employment of labor or capital; or substantial investment in the intellectual property right's exploitation including engineering, research and development, or licensing.[30]

In addition, other causes of action, such as common law trademark infringement, could still form the basis for a section 337 violation. For these claims, the pre-1988 requirement of proof that the importation destroyed, substantially injured, or prevented the establishment of a domestic industry

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[26] Pub. L. No. 100-418, 102 Stat. 1107, 1211 (1988).

[27] 134 CONG. REC. S4906 (1988) (statement of Sen. Lautenberg).

[28] S. REP. NO. 71, 100th Cong., 1st Sess. 128 (1987).

[29] 19 U.S.C. § 1337(a)(1)(B)-(D) (1994).

[30] 19 U.S.C. § 1337(a)(3) (1994). Before 1988, the Commission did not consider licensing activities to constitute a domestic industry. *See* Certain Products with Gremlin Character Depictions, USITC Pub. 1815, Inv. No. 337-TA-201 (Mar. 1986).

infringement,[16] copyright infringement,[17] common law trademark infringement,[18] misappropriation of trade secrets and trade dress,[19] passing off,[20] unfair competition,[21] and false representation of origin.[22]

Before the 1988 amendments, section 337 made no distinction between the various causes of action, and the Commission treated them all basically the same in deciding if there had been a section 337 violation. In all types of cases, for example, complainants had to prove that a "domestic" industry, as defined by the Commission's case law, existed and was injured, destroyed, or prevented from coming into existence by the infringing imported goods. However, most cases involved patent infringement, and some Commissioners suggested that any injury should be considered "substantial" if patent infringement was the underlying substantive cause of action.

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[16] *See, e.g.*, Certain Bathtubs and Other Bathing Vessels and Materials Used Therein, Inv. No. 337-TA-328 (USITC, June 1991) (unpublished decision); Certain Venetian Blind Components, Inv. No. 337-TA-282 (USITC, June 1988) (unpublished decision); Certain Plastic Light Duty Screw Anchors, Inv. No. 337-TA-279 (USITC, Jan. 1988) (unpublished decision).

[17] *See, e.g.*, Certain Products with Gremlin Character Depictions, USITC Pub. 1815, Inv. No. 337-TA-201 (USITC, March 1986).

[18] *See, e.g.*, Certain Track Lighting System Components, Including Plugboxes, Inv. No. 337-TA-286 (USITC, Aug. 1988) (unpublished decision); Certain Electric Power Tools, Battery Cartridges and Battery Chargers, USITC Pub. 2389, Inv. No. 337-TA-284 (Aug. 1988).

[19] *See, e.g.*, Certain Picture-In-A-Picture Video Add-On Products, Inv. No. 337-TA-269 (USITC, Dec. 1987) (unpublished decision).

[20] *See, e.g.*, Certain Toggle Clamps for Clamping, Fixturing Processing, and Original Equipment Manufacturing, Inv. No. 337-TA-274 (USITC, Aug. 1987) (unpublished decision).

[21] *See, e.g.*, Certain Hard Sided Molded Luggage, Inv. No. 337-TA-262 (USITC, Feb. 1987) (unpublished decision).

[22] *See, e.g.*, Certain Insulated Security Chests, Inv. No. 337-TA-244 (USITC, Feb. 1986).

the import trade.[6] Section 337 was initially seen as a remedy against cartels, not as a remedy for the protection of intellectual property rights.

After World War II, section 337 was increasingly used as a remedy for patent infringement. Prior to 1974, however, decisions under section 337 were made by the President after a recommendation of the ITC's predecessor agency, the U.S. Tariff Commission. The process was generally slow and cumbersome. Without time limits, section 337 became an infrequently-sought remedy and fell into disuse. In fact, some cases became moot by the expiration of the patent before final relief was granted.

Section 337 was amended as part of the Tariff Act of 1974. Perhaps the most significant amendment was the imposition of mandatory statutory deadlines for completion of section 337 investigations.[7] This amendment required that an investigation be completed within one year (which could be extended to eighteen months for more complicated cases) after it was instituted. This deadline was added to ensure that cases brought under section 337 did not linger indefinitely. Moreover, Congress was concerned that effective relief would be denied if section 337 cases were not resolved promptly. This was of particular concern since, as noted above, many cases were so protracted that the patents had expired before the cases were concluded.

Other improvements which were part of the 1974 amendments included requiring a full due process hearing under the Administrative Procedure Act;[8] authorizing the Commission to consider "all legal and equitable defenses;"[9] giving the Commission authority to issue cease and

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[6] Tariff Act of 1922, Ch. 356, § 316, 42 Stat. 858, 943-44; Tariff Act of 1930, Ch. 497, § 337, 46 Stat. 590, 703-04. According to Senator Smoot, an active supporter of the 1922 Act, the statute was intended to be an additional "means to protect the coal-tar dye industries" and "a dumping law with teeth in it—one which will reach all forms of unfair competition in importation." 62 CONG. REC. 5,879 (1922).

[7] Trade Act of 1974, Pub. L. No. 93-618, § 341(a), 88 Stat. 1978, 2053-56 (1975) (codified at 19 U.S.C. § 1337(b) (1994)).

[8] 5 U.S.C. §§ 551-559 (1994).

[9] 19 U.S.C. § 1337(c) (1994).

I. INTRODUCTION

One of your clients, Futura Corporation, has asked you to advise it about possible remedies to prevent the importation of infringing articles which are damaging Futura's market in the United States. In previous discussions, you have informed Futura's General Counsel that section 337 of the Tariff Act of 1930 ("section 337")[1] provides one of the principal remedies available to patent owners and other U.S. intellectual property owners to prevent the importation of infringing goods. In particular, you and Futura have discussed some of the advantages of a section 337 proceeding before the U.S. International Trade Commission ("ITC" or "Commission") over district court litigation: namely, the availability of Customs-enforced exclusion orders and the statutory requirement that ITC investigations be completed within a specified period (one year in normal cases and eighteen months in cases designated "more complicated").

Futura is now considering using section 337 to prevent the importation of infringing goods by Copycat, Inc., a major competitor. However, Futura's General Counsel has heard that recent amendments to section 337,[2] as part of the implementing legislation for the General Agreement on Tariffs and Trade ("GATT"),[3] may now make section 337 cases less desirable for complainants. In particular, he has heard about changes relating to time limits, counterclaims, and parallel proceedings before the Commission and district courts, as well as changes in available remedies. With these concerns in mind, Futura's General Counsel has asked your advice about whether proceeding with an action under section 337 still makes sense. How do you advise your client?

This Article is designed to help answer that question and thus is principally concerned with the recent amendments to section 337 of the

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[1] 19 U.S.C. § 1337 (1994).

[2] Pub. L. No. 103-465, 108 Stat. 4809 (1994) (codified at 19 U.S.C. § 1337 (1994)).

[3] *See* General Agreement on Tariffs and Trade, *opened for signature* Oct. 30, 1947, 61 Stat. A3, 55 U.N.T.S. 187 [hereinafter GATT]. GATT is an international treaty designed to ease international trade barriers by restricting tariffs, banning national quotas, and providing an impartial forum for the resolution of trade disputes.

Current licensees of patents with terms that were extended under TRIPS are all potential "invested infringers." Of course, if the license agreement is construed as continuing throughout the extended term, and ending when the patent expires at the end of the twenty-year term, then the licensee will not be an infringer at all. However, if the license agreement is construed as terminating on the date when the seventeen-year term would have expired, which was the expiration date anticipated by the parties at the time the license was negotiated, then the licensee will become an infringer during the extended portion of the patent term. Because such a licensee will almost certainly have either begun activity under the license before June 8, 1995, or made a substantial investment in preparation to do so, the licensee will qualify as an "invested" infringer under section 154(c)(2).

The rights that a patentee may assert against such an "invested" infringer are defined in section 154(c)(3):

> (3) Remuneration. - The acts referred to in paragraph (2) may be continued only upon the payment of an equitable remuneration to the patentee that is determined in an action brought under chapter 28 and chapter 29 (other than those provisions excluded by paragraph (2)) of this title.[50]

In other words, the "invested" infringer is allowed to infringe the patent during the portion of its term that was extended under GATT/TRIPS, but must pay an "equitable remuneration" to the patentee. The amount of equitable remuneration will ultimately be determined, if necessary, by an action (presumably for infringement) in a federal district court, but in which the usual remedies for infringement under 35 U.S.C. §§ 283, 284, and 285 are not available. Section 154(c)(3) thus effectively imposes a form of compulsory license under which the infringer must pay the patentee an "equitable remuneration" as determined by a federal court in equity.

This balancing between the rights of the patent holder and of parties who had already begun to practice, or had made substantial investment to practice, the patented invention is permitted by Article 70(4) of the

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[50] *Id.* § 154(c)(3).

First, the rule of law expressed in those decisions, by its literal terms, is articulated broadly enough to encompass today's extensions under Title 35. The rule enunciated in *Wilson* is not limited to the Patent Act of 1836. The same rule applies when patent terms are extended by acts of Congress.[42] From the outset, the burden will be upon opponents to show why the broad rule stated by the Supreme Court should not apply.

Second, patent term extensions under GATT/TRIPS, like extensions in the nineteenth century, are intended to enhance the intellectual property protection of the patent owner. Patent term extensions were granted in the nineteenth century because the original term of fourteen years was judged to be inadequate to fairly compensate some patentees. For example, in referring to the patent term extension in *Wilson*, the Court said that "it clearly appears that it was intended to be secured to the patentee as an additional remuneration for his time, ingenuity, and expense in bringing out the discovery, and in introducing it into public use."[43] Licensees, on the other hand, "have no peculiar claims upon the government or the public."[44]

It can be argued that the lengthening of patent terms under TRIPS is also intended to bring inadequate protection of intellectual property, in the form of U.S. patent terms that were too short, up to a minimum international standard. For instance,the Statement of Administrative Action,[45] explaining the purpose for the GATT/TRIPS Agreement, says that TRIPS

> establishes comprehensive standards for the protection of intellectual property and the enforcement of intellectual property rights in WTO member countries. It requires each WTO member country to apply the substantive obligations of the world's most important intellectual property conventions, supplements those conventions with substantial

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[42] Bloomer v. McQuewan, 55 U.S. (14 How.) 539 (1852).

[43] Wilson v. Rosseau, 45 U.S. (4 How.) 646, 678 (1848).

[44] *Id.*

[45] The Statement of Administrative Action is an authoritative legal expression of the interpretation and application of the URAA, which must be considered by a court interpreting the URAA. URAA, *supra* note 6, § 102(d).

> patent in question, the license stipulated for must be held to run only during the term of the original patent.[33]

The court in *Passaic Zinc* analyzed ambiguous terms in the contract and concluded that there was no expression showing an intent to grant a license during any patent extension. Because there was no license, the defendant was found to be an infringer. The opinion in this case includes an analysis of some of the earlier case law on this issue.[34]

Much of the early litigation, which involved assignments of patented machines, focused on a clause in Section 18 of the Patent Act of 1836 providing that "the benefit of such renewal shall extend to assignees and grantees of the right to use the thing patented, to the extent of their respective interest therein."[35] Although this clause in the Patent Act of 1836 does not appear to be relevant to patent term extensions under TRIPS, it is discussed here briefly because it is difficult to read the older cases without an understanding of this issue.

The *Wilson* Court interpreted this clause narrowly, limiting it to the right of *purchasers of patented machines* ("the thing patented") to continue to *use* those machines. It did not extend to other patent rights, such as the right to make or sell such machines.[36] The right of the purchaser of a patented machine to continue to use that machine during a patent term extension is not limited to extensions under the Patent Act of 1836. Purchasers of patented machines have the same right when the patent term is extended by an act of Congress.[37] Later cases retained this distinction between sales of patented machines, which the owner can continue to use during the

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[33] *Passaic Zinc*, 29 F. Cas. at 837, 839.

[34] *Id.* at 840-41.

[35] *See, e.g.*, Wilson v. Rosseau, 45 U.S. (4 How.) 646, 657-58, 676-81 (1848).

[36] *Id.* at 681-84.

[37] Bloomer v. McQuewan, 55 U.S. (14 How.) 539 (1852).

> of the invention for the seven years. All the rights of assignees or grantees, whether in a share of the patent, or to a specified portion of the territory held under it, terminate at the end of the fourteen years, and become re-invested in the patentee by the new grant.[25]

This principle was affirmed and explained in *Bloomer v. McQuewan*.[26] *Bloomer* involved the same Woodworth patent after the term was extended for another seven years by an act of Congress. Explaining why patent rights (including licenses) reverted to the patentee during an extension, the Court stated:

> The franchise which the patent grants, consists altogether in the right to exclude every one from making, using, or vending the thing patented, without the permission of the patentee. This is all that he obtains by the patent. And when he sells the exclusive privilege of making or vending it for use in a particular place, the purchaser buys a portion of the franchise which the patent confers. He obtains a share in the monopoly, and that monopoly is derived from, and exercised under, the protection of the United States. And the interest he acquires, necessarily terminates at the time limited for its continuance by the law which created it. The patentee cannot sell it for a longer time. And the purchaser buys with reference to that period; the time for which exclusive privilege is to endure being one of the chief elements of its value. He therefore has no just claim to share in a further monopoly subsequently acquired by the patentee. He does not purchase or pay for it.[27]

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[25] *Id.* at 682. Three companion cases were argued at the same time, and disposed of under the principles of law enunciated in Wilson v. Rousseau. Wilson v. Turner, 45 U.S. (4 How.) 712 (1846); Simpson v. Wilson, 45 U.S. (4 How.) 709 (1846); Woodworth v. Benjamin, 45 U.S. (4 How.) 712 (1846).

[26] 55 U.S. (14 How.) 539 (1852).

[27] *Id.* at 549.

earnings and expenditures related to the patent.[14] Adverse parties could appear to oppose the extension.[15] The Act stated that

> [i]f, upon a hearing of the matter, it shall appear to the full and entire satisfaction of said Board, having due regard to the public interest therein, that it is just and proper that the term of the patent should be extended, by reason of the patentee, without neglect or fault on his part, having failed to obtain, from the use and sale of his invention, a reasonable remuneration for the time, ingenuity and expense bestowed upon the same, and the introduction thereof into use, it shall be the duty of the Commissioner to renew and extend the patent.[16]

The term of the patent was then extended for seven years.[17] When the extension was issued, the law provided that "the said patent shall have the same effect in law as though it had been originally granted for the term of twenty-one years."[18]

The Patent Act of 1861 withdrew the power of the Patent Office to grant extensions for new patents granted after 1861, although extensions were still available for patents granted before that year.[19] Extensions then gradually became infrequent, although they were, and still are, available through acts of Congress.

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[14] *Id.*

[15] *Id.*

[16] *Id.* at 124-25.

[17] *Id.* at 125.

[18] *Id.*

[19] 12 Stat. 249 (1861).

after the effective date of June 8, 1995,[7] but also requires this minimum patent term for existing patents.[8]

To comply with this requirement of GATT/TRIPS, the terms of existing patents were extended. Under new 35 U.S.C. § 154(c)(1), the term of every patent that was in force on June 8, 1995, is now the greater of twenty years from its first U.S. filing[9] or seventeen years from the grant, subject to any terminal disclaimers. Therefore, if 20 years from the first U.S. filing date of any patent that was in force on June 8, 1995, is longer than the original term of seventeen years from the date of issue (i.e., if the patent completed prosecution in less than three years), then the term of that patent has been automatically reset by operation of law to the longer twenty-year term. Formally, this increase in the terms of eligible patents took place on June 8, 1995.[10]

III. WHAT IS THE EFFECT OF THE PATENT TERM EXTENSION ON EXISTING LICENSES?

Compliance with GATT/TRIPS has provided an unexpected windfall for many patent owners. On the other hand, the patent term extensions have created uncertainties for licensees of the extended patents and others who expected the patents to expire seventeen years from the date the patent issued.

Most patent licenses do not specify a date certain on which the license ends. Instead, expiration of the license is usually pegged, either expressly or implicitly, to the expiration of the last to expire patent. Thus, it could be argued that such a license should continue until the newly extended patent expiration date. On the other hand, it could also be argued that when the license was negotiated, both parties expected the patent to expire on the seventeen-year expiration date. Neither party bargained for the additional consideration it would pay or accept for the extended term, and neither party actually agreed to a license during the extended term.

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[7] TRIPS, *supra* note 1, art. 33.

[8] *Id.* art. 70(2).

[9] The earliest U.S. filing date is the filing date of the earliest application for which benefit is claimed under 35 U.S.C. § 120, 121, or 365(c). 35 U.S.C.A. § 154(a)(2) (West Supp. 1995).

[10] 35 U.S.C.A. § 154(a)(2) (West Supp. 1995).

I. INTRODUCTION

On June 8, 1995, the lives of a great number of existing patents were lengthened by amendments to the U.S. patent law implementing the Agreement on Trade-Related Aspects of Intellectual Property Law ("GATT/TRIPS").[1] The number of patents affected is not known, but the Patent and Trademark Office ("PTO") has estimated that eighty percent of the patents that were issued in 1993 would have their terms increased due to GATT/TRIPS.[2] This Article examines the potential impact of these extended patent terms (up to two additional years in some cases) on existing license agreements.

Many license agreements are drafted so as to end on the expiration date of the last to expire of the licensed patents. Thus, many licensors and licensees may have simply assumed that such licenses will continue without change until the licensed patent expires on the extended expiration date. This assumption may prove false.

There is a significant body of case law stemming from prior instances dating back to the mid-1800s when U.S. patent terms were extended.[3] Those cases, including several Supreme Court cases, appear to establish the principle that license agreements which do not expressly provide for patent term extensions will be held to expire on the date when the patent would have expired; in other words, licenses will not be automatically extended during any extended patent term. Thus, licensors and licensees alike should

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[1] The Uruguay Round of Multilateral Trade Negotiations, conducted under the auspices of the General Agreement on Tariffs and Trade ("GATT"), resulted in a number of trade agreements, including the Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, April 15, 1994, 33 I.L.M. 81 [hereinafter TRIPS]. The United States signed the resulting agreements, including TRIPS, at the Ministerial Meeting in Marakesh, Morocco on April 15, 1994.

[2] Letter from Bruce A. Lehman, Commissioner of Patents and Trademarks, to Senator Hank Brown (Nov. 10, 1994).

[3] Bloomer v. McQuewan, 55 U.S. (14 How.) 539 (1852); Wilson v. Rousseau, 45 U.S. (4 How.) 646 (1846); Wetherill v. Passaic Zinc Co., 29 F. Cas. 837 (D.N.J. 1872) (No. 17,465); Hodge v. Hudson River R.R. Co., 12 F. Cas. 272, 273-74 (S.D.N.Y. 1868) (No. 6,559).

foreign filing) to secure an early 35 U.S.C. § 102(e) date in the United States. Accordingly, the heartache that the *Hilmer* decision has been causing so many for so long has now been alleviated, and a remedy for that pain can be purchased at the price of filing a provisional application.

The commentator's so called "PCT-anomaly"[80] is real because of our reservation under Article 64(4) of the Patent Cooperation Treaty and the explicit terms of 35 U.S.C. § 102(e). The result is not "bizarre,"[81] just different. If one chooses to file a provisional application and then file an international application under the PCT, the only way in which a patent ultimately issuing from that process will be accorded the provisional application filing date as a 35 U.S.C. § 102(e) date is for one to file a 35 U.S.C. § 111(a) application prior to entry into the national stage. The result is determined by the applicable statutes.

IV. CONCLUSION

The implementation of the TRIPS agreement in the United States has not been without controversy. For the most part, the PTO is in agreement with the patent community on the implementation of the TRIPS agreement and the interpretation of the URAA. There are, however, some areas of controversy. These areas of controversies will be resolved as the affected rights are pursued in the PTO or litigated in the courts. It is safe to say that controversial issues will continue to arise as all of the relevant portions of the URAA become effective on January 1, 1996.

[80] *Id.* at 346.

[81] *Id.*

D. *Provisional Applications And 35 U.S.C. § 102(e)*

One commentator raises questions regarding the appropriate effective date for reference purposes, under 35 U.S.C. § 102(e), of a U.S. patent that claims the priority of a provisional application.[70] The PTO does not share the views of this commentator. The effective date under 35 U.S.C. § 102(e) of a U.S. patent that claims the priority of a provisional application is the filing date of the provisional application.

The commentator refers to 35 U.S.C. § 111(b)(8) as support for the PTO position that the 35 U.S.C. § 102(e) date of a patent claiming 35 U.S.C. § 119(e) priority to a provisional application is the provisional application filing date. This assertion is not entirely correct. The primary support for our position comes from the explicit terms of 35 U.S.C. §§ 102(e) and 119(e). In this regard, the "shall have the same effect"[71] language in 35 U.S.C. § 119(e) is dispositive. The fact that corresponding language in 35 U.S.C. § 119(a) requires a different result is due to the particular facts of the *Hilmer*[72] decision. This distinction can be justified by noting that the filing at issue in the *Hilmer*[73] decision was not in the United States, a pivotal point in that decision, whereas provisional applications are, by necessity, filed in the United States.

The commentator raises the issue of the *Milburn*[74] decision, as though all of the particular pronouncements of that decision need to be satisfied by the operation of our provisional application system. The fact that a provisional application cannot become a U.S. patent on the same day it is filed has no bearing on the interaction of 35 U.S.C. §§ 102(e), 111, and 119 today. Insofar as the *Milburn* decision was codified in the language of 35 U.S.C. §102(e), we really only need to be concerned with the specific

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[70] Andrews J. Patch, *Provisional Applications and 35 U.S.C. 102(e) in View of Milburn, Hilmer and Wertheim,* 77 J. PAT. AND TRADEMARK OFF. SOC'Y (1995).

[71] 35 U.S.C. § 119(e)(1) (1988).

[72] *In re* Hilmer, 149 U.S.P.Q. (BNA) 480 (C.C.P.A. 1966).

[73] *Id.*

[74] Alexander Milburn Co. v. Davis-Bournoville Co., 270 U.S. 390 (1926).

provisions in that act.[66] The PTO's position is that while the provisions may have been subjected to more artful drafting, the reference in section 534(b)(3) of the URAA to "subsection (a)"[67] does not mean that there are multiple effective dates for the term provisions in the URAA. The effective date for all of the provisions in section 532 of the URAA, with the exception of the amendments made to 35 U.S.C. § 154(a)(1), is June 8, 1995.

The following interpretation of section 534 of the URAA[68] supports the above conclusion. The reference in section 534(b)(3) of the URAA to "subsection (a)" necessarily brings one back to subsection (b)(1) because subsection (a) is "[s]ubject to subsection (b)" and the issue of patent term, also raised in section 534(b)(3), is addressed only in section 532 of the URAA, and the effective date for section 532 is set forth in section 534(b)(1). Section 534(b)(1) clearly states that section 532 of the URAA, not including section 154(a)(1) of Title 35, is effective as of June 8, 1995. Further in section 532, section 154(a)(2) of Title 35 sets forth a system for measuring patent term

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[66] *See* Irving and Lewis, The Statute at War with Itself (July, 1995).

[67] URAA, *supra* note 1, § 534(b)(3), 108 Stat. at 4990.

[68] § 534. Effective Dates and Application.

(a) IN GENERAL.—Subject to subsection (b), the amendments made by this subtitle take effect on the date that is one year after the date on which the WTO Agreement enters into force with respect to the United States.

(b) PATENT APPLICATIONS.—

(1) IN GENERAL.—Subject to paragraph (2), the amendments made by section 532 take effect on the date that is 6 months after the date of the enactment of this Act and shall apply to all patent applications filed in the United States on or after the effective date.

(2) SECTION 154(a)(1).—Section 154(a)(1) of title 35, United States Code, as amended by section 532(a)(1) of this Act, shall take effect on the effective date described in subsection (a).

(3) EARLIEST FILING.—The term of a patent granted on an application that is filed on or after the effective date described in subsection (a) and that contains a specific reference to an earlier application filed under the provisions of section 120, 121, or 365(c) of title 35, United States Code, shall be measured from the filing date of the earliest filed application.

certain applicants to abuse the system as they have in the past. Patent applicants would be able to manipulate the system to delay the grant of rights, thus reintroducing the problem of submarine patents, effectively eliminated by the new patent term system. The publication requirement of the Rohrabacher/Dole bills will not eliminate these problems because certain applicants will still be able to amend long-pending applications to embrace technology in use in a given industry with the unjustifiable reward of a seventeen-year patent term when that applicant chooses to allow the patent application to issue as a patent. Further, the bills do not and cannot rationally provide provisional rights to protect applicants whose applications would be subject to publication prior to grant. Provisional rights cannot be provided in a patent system that measures the term from the date of grant. In such a system, a patentee would be able to collect royalties for an indeterminate period of time while the application is pending, in addition to the full rights provided for seventeen years once a patent is granted.

The PTO firmly believes that the patent term and provisional application changes brought about by the URAA are the most effective way to deal with many of the problems that have long plagued our patent system. However, the PTO views these changes as only the first steps on the road to an improved patent system in the United States.

The PTO fully supports the concept of early publication of patent applications and views early publication as a critical next step in the reform of our patent laws. The twenty-year patent term and early publication are inextricably linked. The most important aspect of early publication is its synergistic interaction with a twenty-year patent term system. Once an early publication system is in place in conjunction with our current, improved patent term system, eventual patentees will be able to avail themselves of up to 19.5 years of patent rights, regardless of the pendency of their individual patent applications. This is made possible by the fact that applicants can now file provisional applications, followed within a year by the filing of a nonprovisional application, which would then be subject to examination and may be granted as a patent. If early publication is superimposed on this process, the nonprovisional application would be published six months after its filing date, assuming it was filed twelve months after the provisional application filing date. The publication would give rise to provisional rights for the period of time from publication (six months after filing) to grant and full rights would be available from the time of grant until twenty years from the filing date of the nonprovisional application. Again, this would result in

III. MISCELLANEOUS ISSUES

A. *The Rohrabacher/Dole Bills*

In essence, the Rohrabacher/Dole bills would, for applications filed on or after June 8, 1995, change the manner in which the patent term is measured from the current twenty years from the application filing date to seventeen years from grant or twenty years from filing, whichever is longer.[53] The bills also include a provision that would require publication of an application sixty months after its earliest United States filing date.[54] The proponents of these bills are concerned that the new twenty-year term of the filing patent term system will result in patents having shorter terms than under the seventeen-year term from grant patent term system. Commentators have noted that these concerns are unfounded and that patent terms under the new twenty-year patent term system may, in fact, be longer than those under the old system.[55]

Our statistics indicate that under the new term measurement system, the majority of patentees will get over eighteen years of patent protection and the vast majority of patentees will get more than seventeen years of protection because the PTO completes examination of applications, on average, in under twenty months.[56] An analysis of previously granted patents generally supports this proposition.[57]

The URAA also included provisions to establish a simple, low-cost internal or domestic priority system that permits inventors to easily preserve their rights to a patent for up to a year without counting that time in the

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[53] H.R. 359, 104th Cong., 1st Sess. § 1(a) (1995); S. 284, 104th Cong., 1st Sess. § 1(a) (1995).

[54] H.R. 359, 104th Cong., 1st Sess. § 1(b) (1995); S. 284, 104th Cong. 1st Sess. § 1(b) (1995).

[55] *See* Lemley, *supra* note 4, at 422.

[56] PTO Pendency Statistics, (June 1, 1995), Memorandum from Jim Hirabayashi to Charles E. Van Horn (Aug. 11, 1994); *see also* Lemley, *supra* note 4.

[57] PTO Pendency Statistics, (June 1, 1995), Memorandum from Jim Hirabayashi to Charles E. Van Horn (Aug. 11, 1994).

C. *The Lemley Article*—An Empirical Study Of The Twenty-Year Patent Term

The purpose of Professor Lemley's study[47] was to evaluate the likely effects of the new twenty-year patent term on United States patent holders. To that end, he collected and analyzed data from 2,081 recently issued patents and from 197 litigated patent cases. This information was used to examine (1) whether the new law gives more or less protection on average than the old law; (2) whether certain industries receive less protection than others under the new law; and (3) whether there is any relationship between the length of time a patent spends before the PTO and its success in subsequent litigation.

His conclusions can be summarized as follows: (1) on average, and for most industries, the new law gives more protection to patentees than the old law; (2) there is some question as to whether the biotechnology industry will receive less protection under the new law; (3) there is no significant relationship between the length of time a patent spends in prosecution and whether it will be judged valid in the courts; and (4) the study produces some interesting data about the problem of "submarine patents."

From the PTO's perspective, this study demonstrates the potential for increased patent terms under the new law. For the most part, the underlying assumptions are conservative, and as a result, the conclusions are conservative as well.

The Lemley study could be extended as follows. A subset of data for patents granted to independent inventors and small entities could be extracted. This information would be helpful in the context of the controversy surrounding the new patent term and Rohrabacher[48] and Dole[49] bills, around which many independent inventors and small entities have rallied. The data on terminally disclaimed patents could have included the incidence in which a reference under 35 U.S.C. §§ 120 and/or 121 was not made in the disclaimed patent. This data would have bolstered the

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[47] Lemley, *supra* note 4, at 371.

[48] H.R. 359, 104th Cong., 1st Sess. (1995).

[49] S. 284, 104th Cong., 1st Sess. (1995).

and Lewis state that "[u]nder the old law, the PTO would most likely reject the foreign company's application over the [domestic inventor's] United States application under § 102(g)."[36] Such a rejection would have been improper under the old law and would be improper under the existing law, because it would violate the confidentiality requirement of 35 U.S.C. § 122, which applies to all pending applications. Since the effective filing dates of the applications are less than three months apart, the proper procedure would be for the examiner to initiate an interference.[37] If the dates were more than three months apart and the invention of a simple nature, the examiner would not declare an interference. Instead, the examiner would issue the domestic inventor's application and then, after the patent issues, reject the foreign company's application over the patent under 35 U.S.C. § 102(e). If the foreign company desires an interference, it would have to respond to the rejection with a sufficient showing under 37 C.F.R. § 1.608(b).

In the context of worldwide interferences to determine the first to invent, Irving and Lewis state that the "corroboration requirement only applies where an inventor tries to prove conception and actual reduction to practice."[38] The statement should include diligence as well as conception and actual reduction to practice, because corroboration is required for each of these elements.

Irving and Lewis note that "[i]n some circumstances, a party is required to prove its alleged date of invention by clear and convincing evidence."[39] Those circumstances are described in the text of 37 C.F.R. § 1.657(c).

Irving and Lewis refer to 37 C.F.R. § 1.684 in the context of whether the Board of Patent Appeals and Interferences will accept the testimony of a witness if the opposing party has not been given a fair opportunity to cross-examination by deposition. Section 1.684 was removed and reserved

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[36] *Id.*

[37] *See* PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 2303 (1995).

[38] Irving and Lewis, *supra* note 3, at 331.

[39] *Id.* at 334 n.42.

understatement. The PTO has tried to emphasize that there is a world of difference between the DDP and the ability to file a provisional application.

A disclosure document only provides evidence of conception of an invention. For that reason, the evidentiary value of a disclosure document may be very limited. To be of any value, the conception must be followed by a reduction to practice and, in between the two, the inventor must have been diligent. The diligence issue causes problems for many inventors, especially independent inventors. The inability to prove diligence from the date of the disclosure document (the date of conception) to the actual or constructive date of reduction to practice will hurt an inventor in an interference proceeding.

The ability to file a provisional application completely solves those problems. The provisional application constitutes a constructive reduction to practice of any invention that is subsequently claimed in a nonprovisional application, assuming that invention was disclosed in compliance with 35 U.S.C. § 112, first paragraph, in the provisional application. All the evidentiary problems evaporate. Diligence is not an issue. The provisional application provides inventors with a quick and inexpensive entry into the patent system. The foothold into the patent system that results from the filing of a provisional application is far less tenuous than that which results from the filing of a disclosure document.

Many people have questioned whether "patent pending"[31] may be used upon the filing of a provisional application. The provisional application is a patent application that signifies that the inventor has entered the patent system and has taken a first step to obtaining a patent. Accordingly, "patent pending" may be used once a provisional application has been filed. However, a provisional application will not be pending after twelve months from its filing date, so unless the inventor has filed another application, continued use of the marking would not be appropriate after those twelve months.

A question has been raised as to how the grace period[32] ties into the filing of a provisional application. To the extent that a nonprovisional

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[31] 35 U.S.C. § 292 (1988).

[32] *Id.* § 102(b).

Van Horn notes that the benefits for a provisional application accrue even if there is only a single inventor in common between the provisional and nonprovisional applications.[27] In this respect, questions have been raised about the 35 U.S.C. § 102(e) effect of a granted patent when the inventors in a provisional application differ from those in the section 111(a) application that matured into the patent. A difference in named inventors has no bearing on the 35 U.S.C. § 102(e) effect of the granted patent. According to the terms of 35 U.S.C. § 119(e), a section 111(a) application that relies upon a provisional application must have at least one inventor in common with the inventors named in the provisional application. With that requirement satisfied, assuming all other requirements are also satisfied, the section 102(e) effect of the granted patent goes back to the filing date of the provisional application.

A similar concern has been raised regarding the best mode requirement where the inventors differ between the provisional application and a subsequently filed section 111(a) application that relies on the provisional application, and an inventor, new to the section 111(a) application, has a better mode (e.g., a new best mode at time of filing the section 111(a) application because of new inventor). Again, the result is the same; the different inventive entities have no bearing on the best mode requirement. According to the terms of 35 U.S.C. § 119(e), a 35 U.S.C. § 111(a) application that relies upon a provisional application must have at least one inventor in common with the inventors named in the provisional application. With that requirement satisfied, assuming all other requirements are also satisfied and that there is no change in the content of the nonprovisional application relative to the provisional application, there would be no need to update the best mode upon filing the nonprovisional application.

3. Differences From Other Patent Applications

Van Horn raises the possibility of converting, by petition filed under 37 C.F.R. § 1.182, a provisional application that includes a claim into a nonprovisional application that would be accorded the filing date of the provisional application.[28] The two scenarios raised include the situations in which a nonprovisional application may not be filed within twelve months

[27] Van Horn, *supra* note 2, at 265.

[28] *Id.* at 292.

because a 35 U.S.C. § 119(e) claim is a claim for a right of priority[19] as opposed to an assertion of the benefit of an earlier filing date under 35 U.S.C. § 120, and because such a requirement was not made for claims under 35 U.S.C. § 119(a), it was felt that no such requirement should be made for claims under 35 U.S.C. § 119(e).

On the issue of whether it would be possible to use procedures under 37 C.F.R. § 1.60 or 1.62 to file a nonprovisional application based upon an earlier filed nonprovisional application before a petition is filed to convert the earlier application to a provisional,[20] the following scenario may be helpful. Under 35 U.S.C. § 111(a), application A2 is filed six months after application A1 was filed. Within twelve months of the filing of the first-filed application A1, a petition to convert A1 to a provisional application is filed. What will the result be before the PTO? If the applicant wants A2 to become the nonprovisional application with a 35 U.S.C. § 119(e) claim to A1, it appears that it is within that applicant's discretion to change the 35 U.S.C. § 120-type reference in A2 to a 35 U.S.C. § 119(e) claim. However, if A2 was filed under 37 C.F.R. § 1.60, once A1 is converted to a provisional application, A2 would become an improper 37 C.F.R. § 1.60 application since 37 CFR § 1.60(b)(1) requires that the prior application be a nonprovisional application. The applicant could file a petition to convert the 37 C.F.R. § 1.60 application to a 37 C.F.R. § 1.53 filing and then amend the specification to claim 35 U.S.C. § 119(e) benefit of the converted provisional application.

A reference is made to updating best modes in situations where an applicant chooses to file a series of provisional applications followed, presumably at some point in time, by the filing of a nonprovisional application.[21] While it may be a matter of semantics, we would prefer to characterize this process as the filing of a series of separate, unlinked applications, each of which must individually satisfy the best mode requirement. The ultimately-filed nonprovisional application can only make reference to each of the previously filed provisional applications separately, in as much as a provisional application cannot rely on any earlier filed

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[19] The title for 35 U.S.C. § 119 is "Benefit of earlier filing date; right of priority."

[20] Van Horn, *supra* note 2, at 305.

[21] *Id.*

As noted in the Van Horn article,[8] the regulations[9] explicitly address this issue with the following language:

> Since a provisional application can be pending for no more than twelve months, the last day of pendency may occur on a Saturday, Sunday, or Federal holiday within the District of Columbia which for copendency would require the nonprovisional application to be filed prior to the Saturday, Sunday, or Federal holiday.[10]

The commentary in the final rule package notes that a provisional application may become abandoned by operation of 35 U.S.C. § 111(b)(5) on a Saturday, Sunday, or Federal holiday within the District of Columbia,[11] in which case the filing of a nonprovisional application thereafter would not have the required copendency with the provisional application.[12] 35 U.S.C. § 21(b) does not provide relief in this situation because 35 U.S.C. § 119(e)(2) imposes a requirement of copendency for a proper 35 U.S.C. § 119(e) claim, in addition to the requirement that the nonprovisional application be filed "not later than 12 months after the date on which the provisional application was filed."[13] Section § 21(b) would provide relief if the only requirement of the 35 U.S.C. § 119(e) claim was to take action, in the sense of 35 U.S.C. § 21(b), within twelve months, as set forth in 35 U.S.C. § 119(e)(1). However, 35 U.S.C. § 119(e)(2) imposes a copendency requirement and 35 U.S.C. § 111(b)(5) unequivocally states that a provisional application shall be abandoned twelve months after its filing date. Section 21(b) cannot operate to alleviate compliance with these additional statutory requirements.

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[8] *Id.*

[9] 60 Fed. Reg. 20,225 (Apr. 25, 1995) (to be codified at 37 C.F.R. § 1.78(a)(3)).

[10] *Id.*

[11] 60 Fed. Reg. 20,198, 20,202 (Apr. 25, 1995) (to be codified at 37 C.F.R. § 1.78 (a)(3)).

[12] 35 U.S.C.A. § 119(e)(2) (West Supp. 1995).

[13] *Id.* § 119 (e)(1).

I. INTRODUCTION

This Article provides the Patent and Trademark Office's responses and comments to several other articles published in this volume relating to the Uruguay Round Agreement on the Trade-Related Aspects of Intellectual Property Rights ("TRIPS") and its implementation in the United States.[1] An in-depth review of the Van Horn article discussing provisional patent applications[2] is included. The interference practice discussion of the Irving and Lewis article[3] is reviewed. Finally, this Article comments on how the Lemley article[4] could have extended its study of the twenty-year patent term.

Certain miscellaneous issues are also raised and discussed. For the most part, the issues discussed address salient aspects of the Uruguay Round Agreements Act ("URAA") implementing legislation and regulations that may not have been addressed in the above articles. Finally, a conclusion is provided in Part IV.

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[1] The Uruguay Round of Multilateral Trade Negotiations, conducted under the auspices of the General Agreement on Tariffs and Trade ("GATT"), resulted in a number of trade agreements, including the Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, *opened for signature* Apr. 15, 1994, 33 I.L.M. 81 [hereinafter TRIPS]. The United States signed TRIPS, and other resulting agreements, in Marakesh, Morocco on April 15, 1994. The United States implemented its obligations under the TRIPS Agreement by enacting the Uruguay Round Agreements Act on December 8, 1994. Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994) [hereinafter URAA].

[2] Charles E. Van Horn, *Practicalities And Potential Pitfalls When Using Provisional Patent Applications*, 22 AIPLA Q.J. 259 (1994).

[3] Thomas L. Irving and Stacy D. Lewis, *Proving A Date of Invention And Infringement After GATT/TRIPS*, 22 AIPLA Q.J. 309 (1994) [hereinafter Irving and Lewis].

[4] Mark Lemley, *An Empirical Study of the Twenty-Year Patent Term*, 22 AIPLA Q.J. 369 (1994).

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Appendix B
Sample Page from the Litigation Data Set

03/22/95 CITE	PATENT #	VALID	THIS APP FILED	FORGN FILED	1ST US FILED	DELAY CODE	DISCLAIM DATE	ISSUED	THIS TIME	FORGN TIME	1ST US TIME	EARLIEST TIME	PATENT LENGTH	DCL #	NOTES
10 USPQ2D 1257	4081701	Y	06/01/76					03/28/78	665	665	665	665	6209	307-530	CL 1,2,3,6
18 USPQ2D 1031	4062141	Y	10/27/76					12/13/77	412	412	412	412	6209	43-3	
10 USPQ2D 1579	4053313	Y	05/13/76		06/03/75	CIP		10/11/77	516	516	861	861	6209	430-270	
26 USPQ2D 1018	4043027	Y	07/30/73		12/16/63	C+D		08/23/77	1485	1485	4999	4999	6209	437-205	
15USPQ2D 1069	4013069	Y	10/28/75					03/22/77	511	511	511	511	6209	128-24	
11USQ2D 1799	3995102	Y	01/25/74					11/30/76	1040	1040	1040	1040	6209	174-48	
22 USPQ2D 1119	3959322	Y	08/11/64		09/23/60	CIP	11/26/91	05/25/76	4305	4305	5723	5723	5663	540-41	CLAIMS 5,19,40,
15 USPQ2D 1241	3941993	Y	10/09/74	10/12/73				03/02/76	510	872	510	872	6209	362-309	
28 USPQ2D 1161	3918565	Y	10/12/73	10/12/72				11/11/75	760	1125	760	1125	6209	194-317	
18 USPQ2D 1637	3877307	Y	09/08/72		06/15/70	CIP		04/15/75	949	949	1765	1765	6209	374-169	CL 1,3,9,12,13,17
10 USPQ2D 1338	3852579	Y	03/23/73					12/03/74	620	620	620	620	6209	364-561	CL 4,8,9
16 USPQ2D 1587	3847333	Y	02/05/73					11/12/74	645	645	645	645	6209	248-125	
12 USPQ2D 1641	3834347	Y	02/11/74	06/16/71	06/12/72	C		10/10/74	241	1212	850	1212	6209	118-19	
18 USPQ2D 1657	3817039	Y	11/04/70					06/18/74	1322	1322	1322	1322	6209	405-263	
13 USPQ2D 1169	3807409	Y	08/31/72					04/30/74	607	607	607	607	6209	604-264	
10 USPQ2D 1338	3746065	Y	08/05/71					07/17/73	712	712	712	712	6209	144-357	CL 3
18 USPQ2D 1637	3702076	Y	06/15/70					11/07/72	876	876	876	876	6209	374-169	CL 26, 29, 33, 34
28 USPQ2D 1353	3664269	Y	07/27/70					07/23/72	727	727	727	727	6209	105-199	
14 USPQ2D 1081	3650357	Y	05/08/69		06/25/68	CIP		03/21/72	1048	1048	1365	1365	6209	188-71.5	
19 USPQ2D 1743	3639686	Y	04/25/69					02/01/72	1012	1012	1012	1012	6209	380-10	
28 USPQ2D 1241	5113325	N	08/01/91					05/12/92	285	285	285	285	6209	362-103	
25 USPQ2D 1944	5089144	N	12/08/89					02/18/92	802	802	802	802	6209	210-767	
30 USPQ2D 1193	5000449	N	08/31/90					03/19/91	200	200	200	200	6209	273-26	
27 USPQ2D 1230	4998167	N	11/14/89					03/05/91	476	476	476	476	6209	358-140	
31 USPQ2D 1282	4994286	N	01/05/90		05/09/88	CIP		02/19/91	410	410	1016	1016	6209	426-231	
24 USPQ2D 1392	4909804	N	05/03/88		04/28/86	C		03/20/90	686	686	1422	1422	6209	604-385.2	
19 USPQ2D 1156	4866986	N	09/15/88					09/19/89	369	369	369	369	6209	73-600	
21 USPQ2D 1155	4850092	N	10/17/88					07/25/89	281	281	281	281	6209	29-426.3	
30 USPQ2D 1703	4806840	N	12/15/86		12/30/83	C		02/21/89	799	799	1880	1880	6209	320-20	
23 USPQ2D 1946	4793618	N	08/24/87		11/03/86	CIP		12/27/88	491	491	785	785	6209	273-376	

precisely those which the patentee is willing to continue fighting over with the PTO, resulting in a longer average prosecution time.

VI. CONCLUSION

The current legislative battle over the new twenty-year patent term centers on the effects the new term will allegedly have on patentees. This study has determined that overall, patentees will benefit from the new twenty-year term. Indeed, on average, patentees can expect to gain around one year of additional term, depending on the assumptions made. Under any set of assumptions, patentees show a statistically significant gain from the new law. Further, the data indicate that all of these results are statistically significant at a 95% or greater confidence level.

It is true, as critics of the new law assert, that some industries will fare better than others. However, with one possible exception, a large majority of patentees in every industry studied are better off on average under the new law. The one exception is the biotechnology industry, which cannot be proven to be either better or worse off under the new law using the data provided. The small sample size of biotechnology patents in the study makes it difficult to draw unambiguous conclusions on this issue. Further, in any given industry only a few patentees can expect to lose a significant portion of their patent term under the new law.

The benefits of the new twenty-year patent term are clear: the new term gives U.S. patentees certain procedural advantages before the Japanese Patent Office, and it curtails the problem of submarine patents. The study indicates that submarine patents are a small but not insignificant percentage of the total patents issued, and that submarine patents suffer the brunt of the burden imposed by the new law. Based on the data presented in this study, enactment of the companion Dole and Rohrabacher bills appears unwarranted. Most U.S. patentees will be just as well off without the seventeen-year term, and much of the benefit of restoring the seventeen-year term would go to the holders of submarine patents.

Table 8

Summary of Data from Litigation Data Set

Category	Statistical Measure	1st U.S. Time (in days)	Patent Length (in days)
Valid Patents	Average	1238	6131
(Number Sampled: 110)	Median	1040	6209
	Maximum Value	5723	6209
	Minimum Value	246	2730
	Standard Deviation	930	376
	95% Confidence Interval +/-	174	70
Invalid Patents	Average	1320	6187
(Number Sampled: 87)	Median	988	6209
	Maximum Value	7104	6209
	Minimum Value	200	4880
	Standard Deviation	1044	153
	95% Confidence Interval +/-	219	32
Total Patents	Average	1274	6156
(Number Sampled: 197)	Median	1012	6209
	Maximum Value	7104	6209
	Minimum Value	200	2730
	Standard Deviation	983	300
	95% Confidence Interval +/-	137	42

z-test at 95% confidence level/null hypothesis: valid mean-invalid mean=0
Reject hypothesis if z > 1.96 z= -0.00

Of the 197 total patents, 110 were found valid by the courts. The patents found valid had an average time in prosecution of 1,238 days. The remaining eighty-seven patents studied were found invalid. The patents found invalid had an average time in prosecution of 1,320 days. As demonstrated at the bottom of Table 8, there is no statistically significant difference between the prosecution times of those patents found valid and those patents found invalid. Thus, both Hypotheses 3a and 3b must be rejected.

There are two other items of interest regarding this data. First, between 1989 and 1994 the federal courts found 110 out of 197 patents, or approximately fifty-six percent, to be valid. This represents a higher validity

received wisdom among litigators that patents that have been "thoroughly" examined by the PTO are more likely to be held valid than patents that "sailed through" the Office. In part, this is because fact-finders are often unwilling to second- guess the Examiner regarding a particular piece of prior art. Thus, if the Examiner has actually considered most of the relevant prior art, the patent may be harder to attack in litigation.[124] A long examination period may also mean a series of amendments to claim language, which have narrowed the claims sufficiently that they are more likely to be valid. This suggests a positive relationship between examination time and validity, expressed in the following alternative hypothesis:

Hypothesis 3b: Patents with a long prosecution history are more likely to be found *valid* in litigation than patents with a short prosecution history.

A. *Data And Analysis*

The data used to test these hypotheses were taken from a study of 197 reported utility patent decisions between 1989 and 1994 in which the validity of the patent was determined.[125] These decisions represent nearly every case reported in United States Patents Quarterly from July 1989

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[124] *E.g.*, Hewlett-Packard Co. v. Bausch & Lomb, Inc., 909 F.2d 1464, 1467, 15 U.S.P.Q.2d (BNA) 1525, 1527 (Fed. Cir. 1990) (meeting the burden of showing invalidity "is especially difficult when the prior art was before the PTO examiner during prosecution of the application"); *accord* Ryco, Inc. v. Ag-Bag Corp., 857 F.2d 1418, 1423, 8 U.S.P.Q.2d (BNA) 1323, 1327 (Fed. Cir. 1988). Indeed, this perceived benefit is so important that patentees sometimes put their own patent into "reexamination" before the PTO, in order to have the PTO consider the applicability of a key piece of prior art that was not considered in the original examination. *See* 35 U.S.C.A. §§ 301-306 (West 1988 & Supp. 1995) (governing reexamination and citation of new prior art).

[125] Technically, the issue presented in these cases was whether the defendant in an infringement suit (or in some cases the plaintiff in a declaratory judgment action) had proven by clear and convincing evidence that the patent was invalid. The Federal Circuit refers to the relevant findings as "invalid" and "not invalid," but for simplicity's sake I have used the categories "Valid" and "Invalid."

I have not studied judgments relating to infringement, unenforceability, patent misuse, licensing, or other aspects of the patent laws than validity.

more realistic assumption that pendency time will be reduced as a result of the new law,[115] the software industry is unambiguously *better* off under the new law; for the biotechnology industry, the outcome remains indeterminate. While only a small percentage of software patents (1.7%) would lose four or more years of protection under the new law, nearly a quarter of biotechnology patents would lose significant protection.[116]

There are also differences in the number of potential submarine patents by industry. Biotechnology and chemical patents have a high percentage of patents with multiple refilings. If these statistics are in fact indicative of submarine patents, it may be that reduced pendency time in the biotechnology industry is an appropriate response to the problem. In particular, it is significant to note that the majority of the biotechnology patents that would lose four or more years of protection also qualify as "submarine patents" under this measure.[117]

V. PATENT TERM AND LITIGATION SUCCESS

There is a rather impressive body of academic literature on the theoretical problem of determining optimal patent life.[118] Generally, this literature is premised on the assumption that the term of a patent will be fixed—at fourteen, seventeen, twenty-one, or x number of years,[119] or perhaps at a different term for each different industry.[120] The new variable twenty-year term offers the possibility of a new approach to the problem of determining optimal patent life. In this section, I attempt to determine

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[115] *See supra* text accompanying note 72.

[116] Again, the small sample size in the biotechnology area dictates that these results be read with caution.

[117] It is also worth noting that the PTO recently responded to the concerns of biotechnology patentees by introducing a series of measures designed to reduce pendency time in Group 1800. *See Committee Reports*, AIPLA BULL., Mar.-Apr. 1995, at 313, 319-20.

[118] *See supra* notes 16-18 and accompanying text (discussing patent life).

[119] *See* Kaplow, *supra* note 17, at 1821.

[120] *See supra* note 16.

Out of the total sample of twenty-five biotechnology patents, eleven (or 44%) gain patent term under the new law, because they were issued in less than three years. If we apply the estimated twenty percent reduction in pendency time noted above,[113] fifteen of the twenty-five patents (or 60%) would gain term under the new law. Of those biotechnology patents that do lose patent term, nine (or 36%) lose more than two years of patent protection. If we apply the estimated twenty percent reduction in pendency time, the number of biotechnology patents losing two or more years of protection drops to six (or 24%).

Out of the total sample of 119 software patents, seventy-two (or 60.5%) gain patent term under the new law, because they were issued in less than three years. If we apply the estimated twenty percent reduction in pendency time noted above, ninety-two of the 119 patents (or 77.3%) would gain term under the new law. Of those software patents that do lose patent term, twelve (or 10.1%) lose more than two years of patent protection. If we apply the estimated twenty percent reduction in pendency time, the number of software patents losing two or more years of protection drops to four (or 3.4%).

B. *Submarine Patents*

Using the criteria developed in Section III,[114] I have attempted to estimate the number of patents in each subject matter category that might be considered "submarine" patents. I have analyzed the patents studied in each of the five subject matter categories discussed in this section (General, Chemical, Electrical, biotechnology, and software) to identify the number with these characteristics in each industry. The results are presented in Table 3.

For general mechanical patents, under the refiling test, fourteen of the 874 patents (1.6%) could be classified as submarine patents. Further, Table 3 indicates that one of the four general mechanical patents (25%) that would lose four or more years of protection qualifies as a submarine patent under this measure.

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[113] *See supra* note 72 and accompanying text.

[114] *See supra* text accompanying notes 73-74.

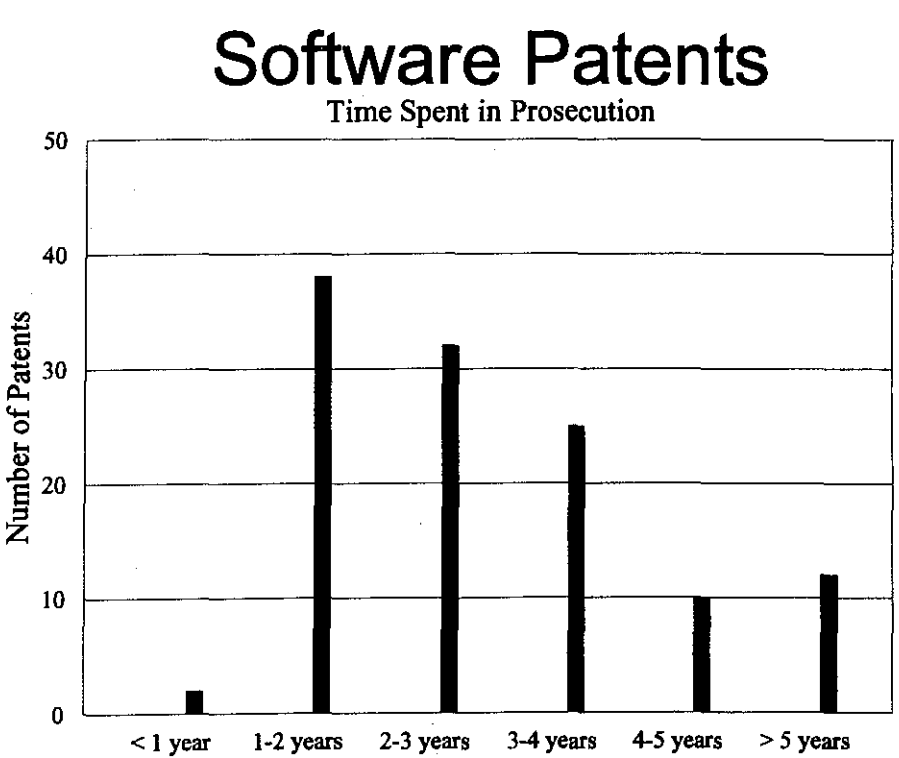
Software Patents
Time Spent in Prosecution
Number of Patents
50
40
30
20
10
0
< 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 11

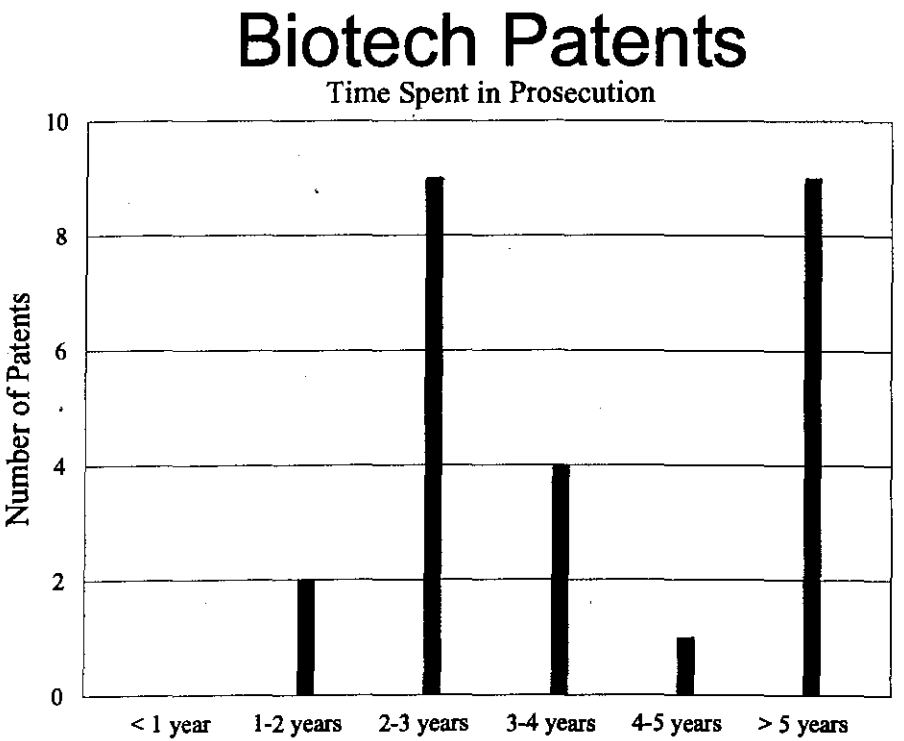
Biotech Patents
Time Spent in Prosecution
Number of Patents
10
8
6
4
2
0
< 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 9

small sample size of biotechnology patents (twenty-five) makes it difficult to draw statistically valid conclusions regarding the universe of biotechnology patents. Second, our assumption regarding the drop in patent pendency time under the new law[108] has a significant effect on the results for both industries. Patentees in the "biotechnology" category would receive 371 days *less* protection on average under the new law if change in pendency is not considered,[109] but only fifty-one days less protection if the drop in pendency time is considered.[110] Patentees in the "software" category receive an additional thirty-six days of protection on average under the new law,[111] but receive 249 days if the drop in pendency time is considered.[112]

The data in Table 2 helps to measure the number of patentees in each group who lose significant protection under the new law. Table 2 identifies the number of patents in each group whose patents spend more than a

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[108] *See supra* text accompanying note 72.

[109] Table 6 indicates that this number is *not* statistically significant at the 95% confidence level. That is, it is not valid to draw a conclusion one way or another from the sample data regarding how biotechnology patents in the real world would fare under this assumption. This is because the difference in the number of days of protection (371 days) is less than the the confidence interval for the biotechnology patents (424 days).

[110] Table 6 indicates that this number is *not* statistically significant at the 95% confidence level. That is, it is not valid to draw a conclusion one way or another from the sample data regarding how biotechnology patents in the real world would fare under this assumption. This is because the difference in the number of days of protection (51 days) is less than the confidence interval for the biotechnology patents (424 days).

[111] Table 6 indicates that this number is *not* statistically significant at the 95% confidence level. That is, it is not valid to draw a conclusion one way or another from the sample data regarding how software patents in the real world would fare under this assumption. This is because the difference in the number of days of protection (36 days) is less than the confidence interval for the software patents (101 days).

[112] Table 6 indicates that with a 95% confidence level, the average real-world patentee in the software group will get a *minimum* of 148 additional days of protection if the 20% reduction in pendency time is considered (the 249 average additional days of protection, minus the "95% confidence interval" of 101 days shown in Table 6).

Table 6

Summary of Data for Biotechnology and Software Patents

Category	Statistical Measure	1st U.S. Time (in days)	Patent Length (in days)
Biotech Patents	Average	1599	6077
(Number Sampled: 25)	Maximum Value	4439	6209
	Minimum Value	375	4690
	Standard Deviation	1027	375
	95% Confidence Interval +/-	424	155
Software Patents	Average	1063	6206
(Number Sampled: 119)	Maximum Value	3295	6209
	Minimum Value	209	5915
	Standard Deviation	561	27
	95% Confidence Interval +/-	101	5
Other Patents	Average	842	6188
(Number Sampled: 1937)	Maximum Value	8124	6209
	Minimum Value	174	3483
	Standard Deviation	534	135
	95% Confidence Interval +/-	24	6

Under the old law, the biotechnology patents had an average term of 6,077 days.[101] The average time spent in prosecution was 1,599 days,[102] giving the average patent in the biotechnology group a total of 5,706 days of protection under the new law. If the assumption made above regarding reduced pendency times under the new law is applied here,[103] expected prosecution time drops to 1,279 days, giving the average patent in the biotechnology group 6,026 days of protection under the new law.

[101] Table 6, "Patent Length" column, "Average" row.

[102] Table 6, "1st U.S. Time" column, "Average" row.

[103] *See supra* text accompanying note 72.

Out of the total sample of 874 general patents, 753 (or 86.1%) gain patent term under the new law, because they were issued in less than three years. If we apply the estimated twenty percent reduction in pendency time noted above,[92] 815 of the 874 patents (or 93.2%) would gain term under the new law. Of those general patents that do lose patent term, only thirteen (or 1.5%) lose more than two years of patent protection. Again, if we apply the estimated twenty percent reduction in pendency time,[93] the number of general patents losing two or more years of protection drops to five (or 0.6%).

Out of the total sample of 604 chemical patents, 402 (or 66.6%) gain patent term under the new law, because they were issued in less than three years. If we apply the estimated 20% reduction in pendency time noted above,[94] 478 of the 604 patents (or 79.1%) would gain term under the new law. Of those chemical patents that do lose patent term, sixty-four (or 10.6%) lose more than two years of patent protection. If we apply the estimated twenty percent reduction in pendency time,[95] the number of chemical patents losing two or more years of protection drops to twenty-eight (or 4.6%).

Out of the total sample of 603 electrical patents, 443 (or 73.5%) gain their patent term under the new law, because they were issued in less than three years. If we apply the estimated twenty percent reduction in pendency time noted above,[96] 519 of the 603 patents (or 86.1%) would gain term under the new law. Of those electrical patents that do lose patent term, thirty-three (or 5.5%) lose more than two years of patent protection. If we apply the estimated twenty percent reduction in pendency time,[97] the number of chemical patents losing two or more years of protection drops to twenty (or 2.0%).

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[92] *See supra* text accompanying note 72.

[93] *Id.*

[94] *Id.*

[95] *Id.*

[96] *Id.*

[97] *Id.*

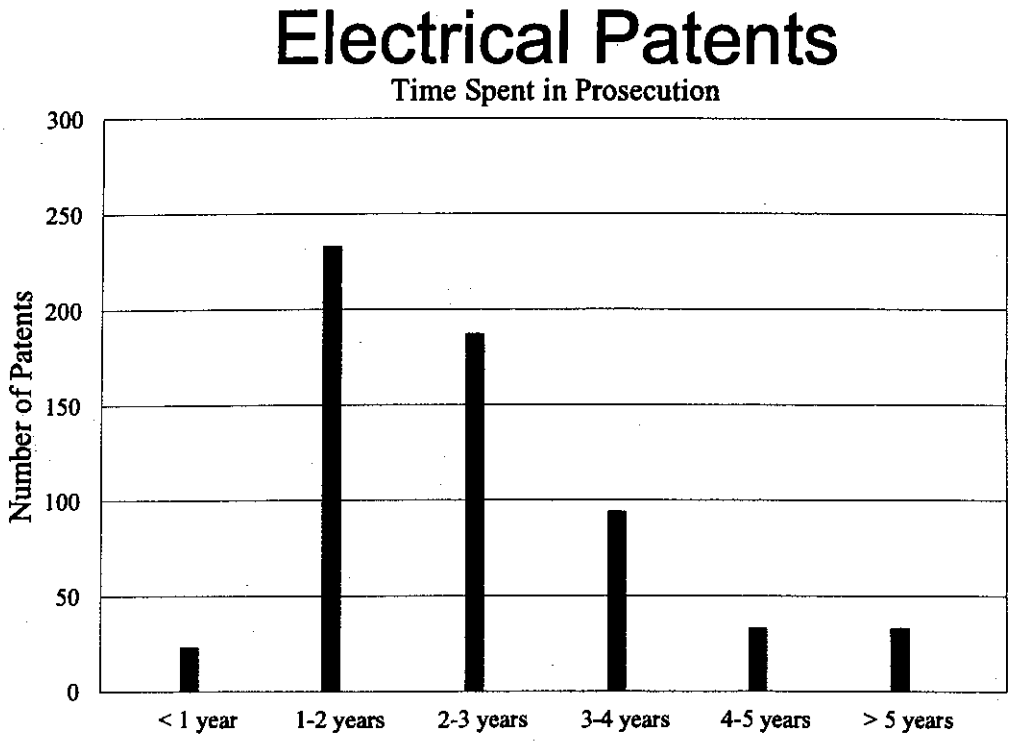
Electrical Patents
Time Spent in Prosecution
Number of Patents
300
250
200
150
100
50
0
< 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 7

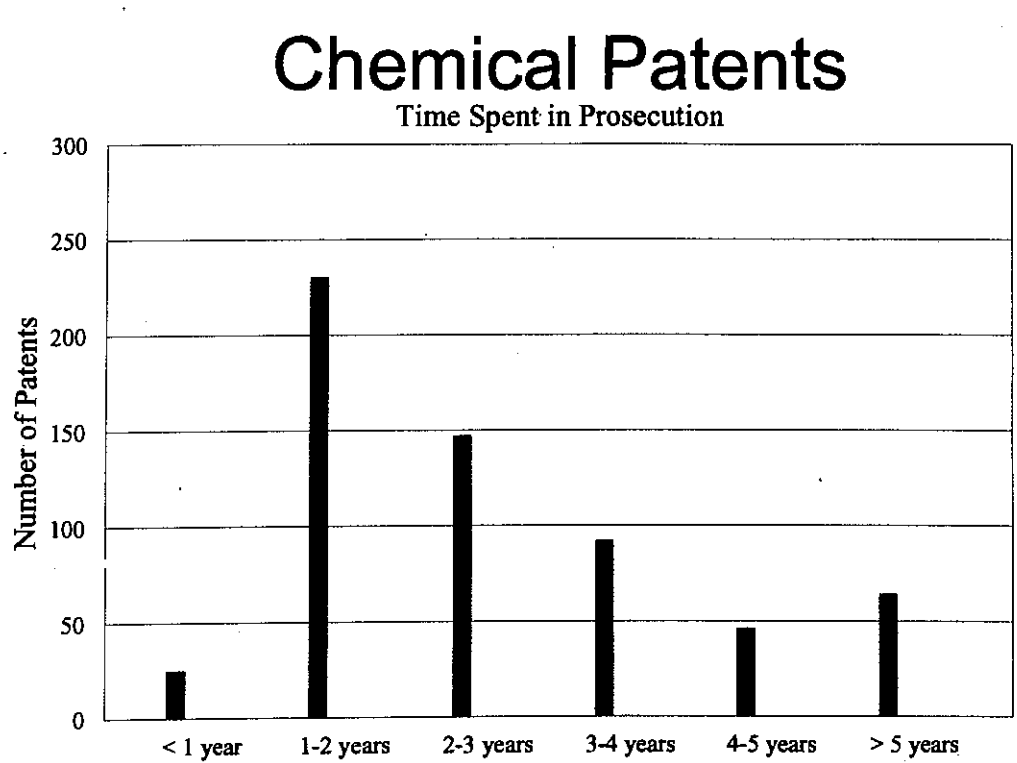
Chemical Patents
Time Spent in Prosecution
Number of Patents
300
250
200
150
100
50
0
< 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 5

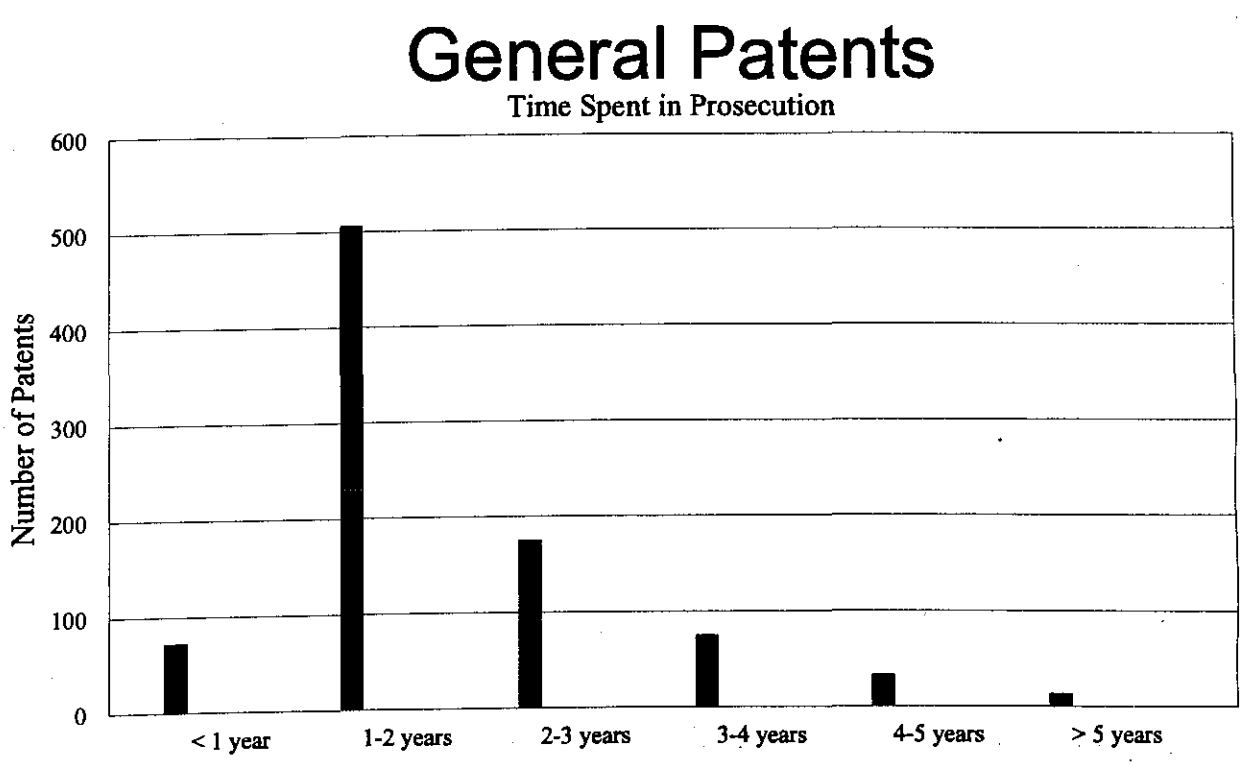
General Patents
Time Spent in Prosecution
Number of Patents
600
500
400
300
200
100
0
< 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 3

law[87] is applied here, expected prosecution time drops to 741 days, giving the average patent in the Electrical group 6,564 days of protection under the new law.

Table 5 presents the results of the test of Hypothesis 2a for the division of patents into General, Chemical, and Electrical groups.

Table 5

Hypothesis Tests for General, Chemical and Electrical Patents

t-Test at 95% Confidence Level
Reject Hypothesis if: $t < -1.96$ or $t > 1.96$

Hypothesis	s value	t value	Result
(gen. x) - (chem. x) = 0	603	-8.59	Reject
(gen. x) - (elec. x) = 0	549	-6.84	Reject
(chem. x) - (elec. x) = 0	747	1.74	Cannot Reject

Comparing the mean prosecution times between each group, it is evident that different groups of patents will in fact receive significantly different patent terms under the new law.[88] Thus, Hypothesis 2a must be rejected for these patent groups.

However, Hypothesis 2b is valid for the general, chemical and electrical groups. For each of those groups, patentees receive significantly longer terms of protection under the new law than they received under the old law. Patentees in the "General" category receive an additional 386 days of protection on average[89] (531 days if the assumed drop in pendency time

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[87] *See supra* text accompanying notes 71-72.

[88] Table 5, "t value" column. While the difference between the mean prosecution times for the "Electrical Patents" and "Chemical Patents" groups was not statistically significant, both groups differed significantly from the "General Patents" group.

[89] Again, the relevant question is what the data in the sample predicts for patentees in the real world. Table 4 indicates that with a 95% confidence level, the average real-world patentee in the "General Patents" group will get a *minimum* of 355 additional days of protection (the 386 average additional days of protection, minus the "95% confidence interval" of 31

by the PTO itself. Second, I have attempted to isolate patents within two specific industries of particular interest: biotechnology and software.

The summary data for the division into General, Chemical, and Electrical groups are presented in Table 4.

Table 4

Summary of Data for General, Chemical and Electrical Patents

Category	Statistical Measure	1st U.S. Time (in days)	Patent Length (in days)
General Patents	Average	727	6192
(Number Sampled: 874)	Median	616	6209
	Maximum Value	8124	6209
	Minimum Value	174	4599
	Standard Deviation	462	115
	95% Confidence Interval +/-	31	8
Chemical Patents	Average	1001	6168
(Number Sampled: 604)	Median	804	6209
	Maximum Value	4439	6209
	Minimum Value	180	3843
	Standard Deviation	618	204
	95% Confidence Interval +/-	49	16
Electrical Patents	Average	926	6203
(Number Sampled: 603)	Median	795	6209
	Maximum Value	7491	6209
	Minimum Value	209	5523
	Standard Deviation	560	58
	95% Confidence Interval +/-	45	5

The methodology for calculation within each group is identical to that used in testing Hypothesis 1. There were 874 patents within the "General" group. Under the old law, the general patents had an average term of 6,192 days.[79]

[79] Table 4, "General Patents" group, "Patent Length" column, "Average" row.

Table 3

Patents Spending Excessive Time Before the PTO

Category	Multiple Refiling (Submarine Patents)	Patents Losing (4 + Years of Term)	Patents Meeting Both Criteria
General	14	4	1
Chemical	29	18	9
Electrical	15	9	5
Totals	58	31	15
Biotech	5	6	4
Software	2	2	1

Under the refiling test, fifty-eight of the 2,081 patents (2.8%) could be classified as submarine patents.[75] Further, Table 3 indicates that fifteen of the thirty-one patents (48%) that would have lost four or more years of protection qualify as submarine patents under this measure.

C. *Conclusion*

On average, patentees unequivocally benefit from the new law. If we assume that pendency time will not change at all as a result of the new law, the average patentee still gets 253 additional days of protection under the new law. Furthermore, more than 75% of the patentees in the study benefit from the new law. Under the more realistic assumption that pendency times will decrease somewhat as a result of the new law, the effect of the law will be to give the average patentee an additional 426 days of protection, and more than 87% of all patentees in the study would benefit. Clearly, then, it is wrong to suggest that the effect of the twenty-year patent term will be to decrease patent protection overall. Accordingly, Hypothesis 1 must be rejected.[76]

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[75] These patents are tested in Table 3, "Multiple Refiling (Submarine Patents)" column.

[76] Because I have studied only a sample of all patents, predicting what will happen with patents outside the sample requires the use of statistical tools. Table 1 indicates that with a 95% confidence level, the average patentee in the general population will get a *minimum* of 229 additional days of protection (the 253 average additional days of protection, minus the "95% confidence interval" of 24 days shown in Table 1).

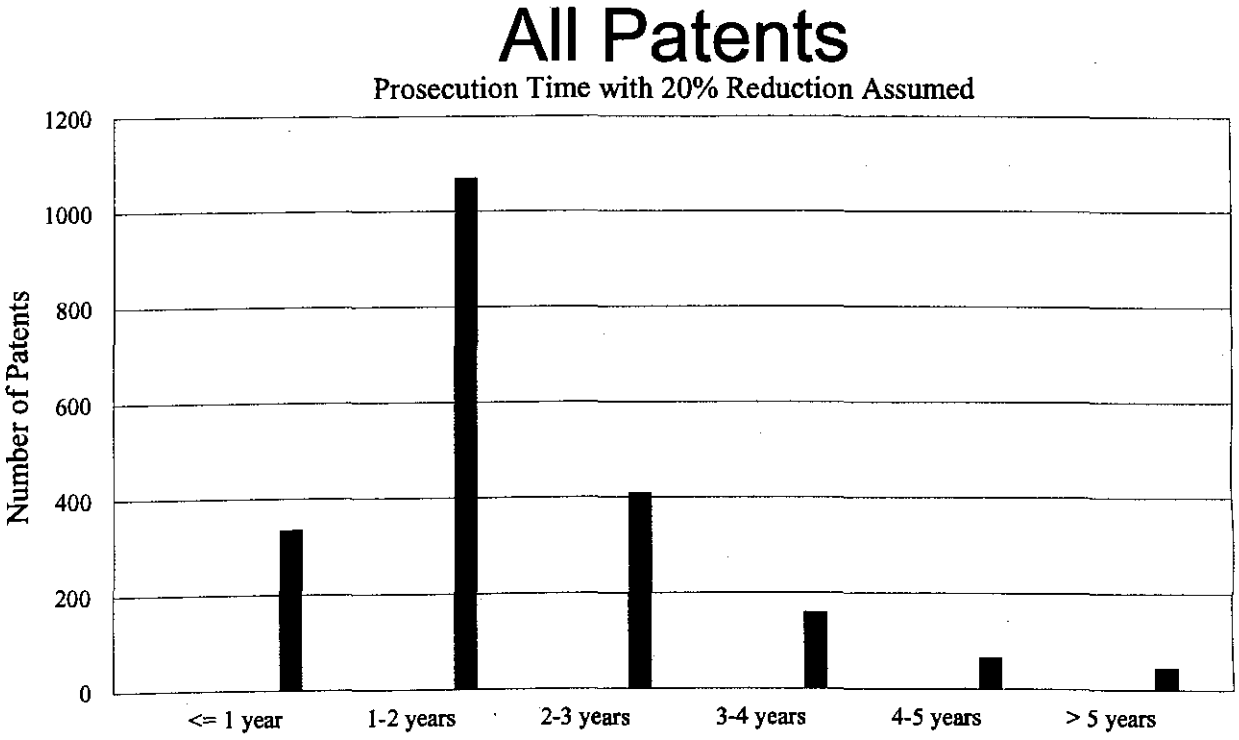
All Patents
Prosecution Time with 20% Reduction Assumed
Number of Patents
1200
1000
800
600
400
200
0
<= 1 year
1-2 years
2-3 years
3-4 years
4-5 years
> 5 years

Figure 2

Further, the data in Table 2 may help to measure the number of patentees who lose significant protection under the new law.

Table 2

Distribution of Prosecution Times
Number of Patents in Each Category that Issued Within Each Time Period
(Actual)

Years	General	Chemical	Electrical	Total	Biotech	Software
< 1 Year	72	25	23	120	0	2
1-2 Years	506	230	233	969	2	38
2-3 Years	175	147	187	509	9	32
3-4 Years	75	92	94	261	4	25
4-5 Years	33	46	33	112	1	10
> 5 Years	13	64	33	110	9	12
Total	874	604	603	2081	25	119

Number of Patents in Each Category that Issued Within Each Time Period
(With 20% Reduction Assumed)

Years	General	Chemical	Electrical	Total	Biotech	Software
< 1 Year	205	67	63	335	1	9
1-2 Years	485	283	301	1069	8	46
2-3 Years	125	128	155	408	6	37
3-4 Years	46	62	51	159	1	15
4-5 Years	8	36	21	65	3	8
> 5 Years	5	28	12	45	6	4
Total	874	604	603	2081	25	119

Table 2 identifies the number of patents in the sample whose patents spend a certain number of years in prosecution. The distributions set out in the "Total" column of Table 2 are also represented in Figures 1 and 2.

before the filing of an actual patent application.[64] The provisional application is filed without claims, and is not examined on the merits by the PTO. While it counts as a filing date in priority disputes with other inventors, and for purposes of avoiding prior art, the provisional application date is *not* considered in calculating the twenty-year term.[65] Thus, patentees who end up filing multiple applications can take advantage of this provision to gain up to an extra year's worth of prosecution time not counted in the twenty-year term.[66]

Second, the nature of the new law should change incentives among patent lawyers. Time spent in processing patents is a function of two factors—the length of time an application spends at the PTO waiting for the Examiner to file an office action, and the length of time the application spends in the patent attorney's office awaiting a response to that office action. The patent statute currently allows patent attorneys to automatically extend the deadlines for their responses by up to six months, simply by paying a late filing fee.[67] Busy patent attorneys regularly take advantage of this provision, frequently waiting the full six months before responding to any office action.

Under the new law, delay by patent attorneys imposes significant costs on the client. Every extension of time the patent attorney gets not only means a late filing fee, but fewer months of patent protection. It is therefore reasonable to expect that patent attorneys will be pressured to file responses to office actions more quickly under the new law than they were under the old law. Similarly, attorneys may be less willing to abandon an existing application in order to file a continuation application, since the resulting

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[64] 35 U.S.C.A. § 111(b) (West Supp. 1995).

[65] 35 U.S.C.A. § 154(a)(3) (West Supp. 1995).

[66] *See also* Lois E. Boland, *The View From The Patent And Trademark Office*, 22 AIPLA Q.J. 425 (1994) (suggesting that applicants can file a nonprovisional application, convert it to a provisional application during prosecution, and then convert it back to a nonprovisional application, taking advantage of the additional year granted to provisional applications).

[67] 37 C.F.R. § 1.136 (1994); *see also* 35 U.S.C. § 41(a)(8) (Supp. V 1994) (setting fees for extensions).

patent spent in prosecution from this original application is listed in the "1st U.S. Time" column of Appendix A. This number was calculated by measuring the length of time (in days) between the first United States filing of a related application and the date on which the patent was issued.

Calculation of the patent term under the old law seems straightforward—it should be seventeen years, or 6,209 days. In fact, however, the total patent term under the old law was complicated by the PTO practice of issuing "terminal disclaimers" in certain rare cases.[60] The effect of such a terminal disclaimer is to shorten the term of a particular patent to less than seventeen years. Where a particular patent would get less than seventeen years protection under the old law, I have indicated that fact by identifying the terminal disclaimer date in the "Discl. Date" column of Appendix A. The total length of protection for each patent under the old law is given in the "Patent Length" column of Appendix A.

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priority has been claimed, and "D" represents a divisional application. 35 U.S.C.A. §§ 120-121 (West Supp. 1995). In some cases, patentees claimed priority to multiple prior applications. Those applications are listed in order (e.g. "D+D+D+CIP" means three divisional applications, followed by a continuation-in-part application).

Note that the foreign filing date is provided for informational purposes only, as foreign filing dates do not count against the twenty-year term under the new law. 35 U.S.C. § 154(a)(3) (West Supp. 1995).

[60] Terminal disclaimers are issued in "obviousness-type double patenting" cases, for example—that is, in situations in which the same inventor has already received a patent for a similar invention, which would render the instant application obvious. In those situations, the PTO issues the second patent, but declares that it will expire on the same day as the first-issued patent. The patentee is required to "disclaim" the end or terminal portion of the patent term. *See* Burchfiel, *supra* note 7, at 225-26.

Terminal disclaimers should not play a major role in patent practice under the new law. The problem of obviousness-type double patenting generally arose when a patent application was divided into two or more separate prosecutions, so that one patent could issue while the other was still in prosecution. Under the new law, any applications which claim the same United States priority date will automatically expire on the same day, so the need for terminal disclaimers should decrease. They will be required only in an obviousness-type double patenting case arising from two separate filings of similar applications by the same patentee on different days, but within one year of each other. Any such situations are not captured by my study, but their effects should be statistically insignificant.

pendency time is less than two years.[52] If this number is correct, the average patentee actually gains over one year of protection under the new law.

Obviously, accurate data on the effect of the new law is critical to an informed legislative decision on the Rohrabacher and Dole bills. The balance of this Article attempts to present accurate data from a large sample of patents.

III. LENGTH OF AVERAGE PATENT TERM

To determine whether patentees *as a class* benefit from or are hurt by the new law, I studied a number of recently issued patents. These patents were issued in 1994, and are governed by the transition rule, which gives them the longer of seventeen years from issue or twenty years from filing as a term of protection. Based on the prosecution history of the patents,[53] I have determined when each patent would expire under the twenty-year term and compared that expiration date to the expiration date resulting under the seventeen-year term. This data addresses the arguments of some parties who hold that the new law disadvantages patentees in general. In formal terms, I have tested the following hypothesis as set forth below:

Hypothesis 1: On average, patentees receive a longer term of protection under the old law than under the new law.

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[52] JAY DRATLER, JR., INTELLECTUAL PROPERTY LAW § 4.06[1], at 4-105 n.21 (1993) (citing PTO sources reporting average patent pendency of 19.9 months); *see also* AIPLA BULL., Oct. 1994, at 97 (Biotechnology Committee Report showing average pendency in Group 1800 governing biotechnology was 20.8 months); A Walk Through Group 2300, Presentation to AIPLA Subcommittee on Electronic and Computer Law (Oct. 1994) (average pendency in Group 2300 governing electronics was 27.8 months).

The PTO statistics suffer from the flaw that they do not include the time from the first filing of a continuation application, but count only the period of time spent in prosecuting the most recent application. *See* Rohrabacher & Crilly, *supra* note 42, at 265-66.

[53] The term prosecution history refers to the entirety of the application process involving the applicant and the PTO.

developed their own technology,[42] the abolition of submarine patents was touted as one of the major benefits of the new law.[43]

Because the change to the twenty-year term was part of the implementation of GATT, it was voted on in a special session of Congress as a "fast-track" package to which no amendments were allowed. Thus, Congress had to either accept or reject GATT as a whole; in December 1994, it chose to accept GATT. However, that did not end the debate. On the first day of the 104th Congress, Representative Dana Rohrabacher introduced H.R. 359, which would reject the U.S.-Japan executive agreement and restore the seventeen-year patent term as a minimum level of protection.[44] Senate Majority Leader Bob Dole has introduced a companion bill, S. 284, in the Senate.[45] Proponents of these bills argue that they are necessary to protect United States patent-holders against the erosion of their patent terms;[46] opponents, including the American Electronics Association,[47] Intellectual

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[42] *See* Morando & Nadan, *supra* note 35, at 10-11. *But cf.* Dana Rohrabacher & Paul Crilly, *The Case for a Strong Patent System*, 8 HARV. J.L. & TECH. 263, 268 (1995) (objecting that Lemelson's "side of the story" has not been heard, and suggesting that the forty-year delay might be the fault of the PTO).

[43] Other legislation is currently pending in Congress that would require publication of patent applications 18 months after they are filed, H.R. 1733, 104th Cong., 1st Sess. (1995), and allow third parties to oppose published patent applications before the patents issue, H.R. 1732, 104th Cong., 1st Sess. (1995). *See House Subcommittee Considers Bills on Reexamination and Early Publication*, 50 Pat. Trademark & Copyright J. (BNA) 174, 175 (1995). Both of these bills would also help to deal with the problem of submarine patents by alerting the industry to pending applications which could affect them.

[44] *Bill Would Amend GATT Legislation To Provide 17 or 20 Year Patent Term*, 49 Pat. Trademark & Copyright J. (BNA) 259 (1995). Specifically, the Rohrabacher-Dole proposal would give patentees the longer of 17 years from issue or 20 years from filing. H.R. 359, 104th Cong., 1st Sess. (1995).

[45] *Legislation, Patents*, 49 Pat. Trademark & Copyright J. (BNA) 335 (Feb. 2, 1995) [hereinafter *Legislation, Patents*].

[46] *See* Rohrabacher & Crilly, *supra* note 42.

[47] *See* Martin, *supra* note 33, at 6.

The problem of submarine patents is particularly troublesome in industries characterized by rapid innovation, since even a modest delay in prosecuting the patent can result in catching an entire industry unaware.[35] Further, current law allows the patent applicant to change his patent claims during prosecution to keep up with subsequent technological developments in the area.[36]

There are a number of historical examples of submarine patents in the United States.[37] One early example is George Selden's patent on the automobile. Selden, a patent lawyer and some-time inventor, filed an application in 1879 for a prototype automobile which he never commercialized, and which by all accounts did not work very well. He kept his application pending in the PTO for the next sixteen years, finally receiving United States Patent 549,160 in 1895. Under the patent laws as written at the time (and in effect until 1994), Selden's right to exclude others from making automobiles ran from 1895 until 1912. Selden used his patent to gain control of the infant automobile industry, until in 1903 Henry Ford began selling cars without a license. Selden sued Ford for patent infringement, and Ford finally prevailed on appeal in 1911.[38]

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[35] *See* James W. Morando & Christian H. Nadan, *Silent Enemies*, RECORDER, May 4, 1994, at 10 (stating that "[t]he submarine patent may be particularly problematic for software").

[36] *E.g.*, Texas Instruments v. USITC, 871 F.2d 1054, 10 U.S.P.Q.2d (BNA) 1257 (Fed. Cir. 1989); Kingsdown Medical Consultants v. Hollister, 863 F.2d 867, 9 U.S.P.Q.2d (BNA) 1384 (Fed. Cir. 1988) ("nor is it in any manner improper to amend or insert claims intended to cover a competitor's product the applicant's attorney has learned about during the prosecution of a patent application").

[37] Again a patent can "submarine" an industry whether or not the inventor intentionally delayed the application process. The author does not intend to suggest that any of the individuals named here necessarily acted with such an intent. For cases discussing submarine patenting, *see, e.g.*, Bott v. Four Star Corp., 848 F.2d 1245 (Fed. Cir. 1988); *In re* Henriksen, 399 F.2d 253, 158 U.S.P.Q. (BNA) 224 (C.C.P.A. 1968). While these cases hold that submarine patents are not illegal, one federal magistrate has described a plaintiff's use of submarine patents as "abusive." Ford Motor Co. v. Lemelson, 50 PAT., TRADEMARK, & COPYRIGHT J. (BNA) 219 (D. Nev. 1995).

[38] WILLIAM GREENLEAF, MONOPOLY ON WHEELS (1961); Martin, *supra* note 33.

twenty years, minus whatever time is spent in prosecution.[25] This is consistent with the prevailing international standard.[26]

C. *The Current Controversy*

The change to the twenty-year patent term was controversial at the time it was introduced. The Patent and Trademark Office,[27] the American Intellectual Property Law Association[28] and the Intellectual Property Law Section of the American Bar Association[29] all supported the bill; members of the biotechnology industry[30] and some lawmakers[31] opposed it. One of the

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[25] *See* Rosenthal, *supra* note 21, at B4.

[26] *See id.* The GATT implementing legislation also made a number of other significant changes in the United States patent laws which are beyond the scope of this Article. A number of those provisions are discussed elsewhere in this Symposium. For other discussion of some of those provisions, see Burchfiel, *supra* note 7, at 224-230; Michael J. Houlihan, *Provisionals and Early Publication: An Outsider's Perspective*, AIPLA BULL., Mar.-Apr. 1995, at 342; Andrew J. Patch, *Provisional Applications and 35 U.S.C. § 102(e) in View of Millburn, Hilmer and Wertheim*, 77 J. PATENT & TRADEMARK OFF. SOC'Y 339 (1995).

[27] *Hearings on S.2467 and H.R. 2467*, 103d Cong., 2d Sess. § 2 (1994) (testimony of Commissioner Lehman).

[28] AIPLA BULL. Mar.-Apr. 1994, at 381-83 (statement of AIPLA Board of Directors in favor of S. 1854).

[29] *See* Teresa Riordan, *A Federal Magistrate Rejects Decades-Old Infringement Claims Against an Auto Maker*, N.Y. TIMES, June 26, 1995, at C2.

[30] *GATT Bill Clears House With Major Intellectual Property Law Reforms*, 49 Pat., Trademark & Copyright J. (BNA) 95 (1994) ("The 20-year term has faced some vocal opposition, particularly from the biotechnology industry. Those critics say that the Patent and Trademark Office's processing of patent applications is very slow, and that biotech applications can take more than three years to process.").

[31] Representatives Helen Bentley and Dana Rohrabacher opposed the 20-year term on the grounds that it was "demanded by Japan" and would allow "big Japanese and multinational corporations . . . to steal the patent rights of American inventors." 103 CONG. REC. H11,456 (daily ed. Nov. 29, 1994) (statement by Representative Rohrabacher).

protection in the form of an extended patent term.[19] But the fundamental baseline of the 1952 Act was a seventeen-year term across industries.

B. *The 1994 Revisions*

Ultimately, the patent-term revisions enacted by Congress took neither an across-the-board nor an industry-specific approach. As a result of two different sets of international negotiations, Congress changed United States law in late 1994 to make the term of a patent extend from the date it is issued until twenty years from the date the patent application was filed.[20] This new twenty-year term took effect with applications filed on or after June 8, 1995, although a transition rule gives those with patents in force or applications pending as of that date the benefit of the longer of the seventeen-year or twenty-year term.[21]

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[19] The seventeen-year term of the 1952 Act could be extended indefinitely in the case of process and composition of matter patents to compensate for delays in regulatory approval by the Food and Drug Administration or other regulatory agency. 35 U.S.C. §§ 155, 156 (1988). The term was extended by statute for a period of five years in the case of one particular company which had faced regulatory delays. 35 U.S.C. § 155A (1988).

In the nineteenth century, when the patent term was 14 years, Congress or the Commissioner of Patents periodically agreed to extend the term of an individual patent to 21 years, if the patentee could make a showing that he or she had not obtained sufficient remuneration during the original patent term. For a more detailed discussion of this issue, *see* David S. Forman and Thomas S. Winland, *How Will Existing License Agreements Be Affected By Extended Patent Terms Under GATT*, 22 AIPLA Q.J. 449 (1994).

[20] Pub. L. No. 103-465 (1994). For a general discussion of the TRIPS amendments, see Karen Tripp & Linda Stokley, *Changes in U.S. Patent Law Effected by the Uruguay Round Agreements Act— The GATT Implementation Legislation*, 3 TEX. INTELL. PROP. L.J. 315 (1995).

[21] Lawrence Rosenthal, *The TRIPS Provisions of the Uruguay Round Agreements Act, Now Approved by Congress, Will Bring About Significant Changes as U.S. Patent Law Goes Global*, NAT'L L.J., Dec. 1994, at B4.

relationship between the length of time a patent spends in prosecution and whether it will be judged valid in the courts. Finally, the study produces some interesting data about the problem of "submarine patents."

II. BACKGROUND

A. *History Of The Patent Term*

Patents first came into common use during the Renaissance, when the Venetian Senate granted an exclusive ten-year term of protection for "new and ingenious devices."[9] Patents found their way into Anglo-American jurisprudence by the early seventeenth century, and most of the American colonies granted their own patents prior to independence.[10] Because state patents caused conflicts over inventorship, the United States Constitution gave control of the patent system to the new federal government.[11] The first patent statute,[12] which was passed by Congress within weeks after it convened, granted an exclusive term of protection of fourteen years.[13] The seventeen-year term contained in the 1952 Act[14] was a compromise between those who argued for continuing the fourteen-year term (itself a holdover from colonial days) and those who preferred a longer term of twenty-one years.[15]

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[9] Giulio Mandich, *Venetian Patents (1450-1550)*, 30 J. PAT. OFF. SOC'Y 166, 177 (1948). For a general history of patent statutes, *see* ROBERT P. MERGES, PATENT LAW AND POLICY 1-10 (1992).

[10] MERGES, *supra* note 9, at 6.

[11] U.S. CONST. art. I, § 8, cl. 8 gives Congress the power to "secure to authors and inventors for limited times the rights to their respective writings and discoveries."

[12] Patent Act of 1790, ch. 7, 1 Stat. 109-112 (Apr. 10, 1790).

[13] *Id.*

[14] 35 U.S.C. § 154 (1988).

[15] BRUCE W. BUGBEE, THE GENESIS OF THE AMERICAN PATENT AND COPYRIGHT LAW (1967). The patent laws do provide extended terms for certain other inventions, chiefly in the pharmaceutical industry. *See* 35 U.S.C. §§ 155, 156 (1988).

I. INTRODUCTION

In 1994, Congress enacted the most significant change in the patent laws in over forty years.[1] The decision by the United States to adhere to the General Agreement on Tariffs and Trade ("GATT")[2] necessitated certain changes to U.S. patent law in order to bring it into compliance with the new world standard.[3] The most important of the new provisions requires the United States to change the length of time it gives protection to patentees (the "patent term").[4] Under the old law, patentees received a fixed term of protection of seventeen years from the day the patent issued.[5] That fixed term has been changed to a variable term not to exceed twenty years.[6] Specifically, beginning on June 8, 1995, the patent term will extend from the day a patent is *issued* by the United States Patent and Trademark Office ("PTO" or "Office") until twenty years from the day the patent application was *filed* with the PTO.[7]

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[1] Uruguay Round Agreements Act, 103 Pub. L. No. 465, 108 Stat. 4809 (1994) [hereinafter URAA].

[2] *See* General Agreement on Tariffs and Trade, *opened for signature* Oct. 30, 1947, 61 Stat. A3, 55 U.N.T.S. 187 [hereinafter GATT]. GATT is an international treaty designed to ease international trade barriers by restricting tariffs, banning national quotas, and providing an impartial forum for the resolution of trade disputes.

[3] Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods of the General Agreement on Tariffs and Trade, *opened for signature* Apr. 15, 1994, 33 I.L.M. 81, 83-111 (1994) [hereinafter TRIPS]. The intellectual property aspects of GATT are generally referred to as GATT/TRIPS.

[4] 35 U.S.C.A. § 154 (West Supp. 1995).

[5] 35 U.S.C. § 154 (1988).

[6] 35 U.S.C.A. § 154 (West Supp. 1995).

[7] The new twenty-year patent term was required not only by GATT, but also by a bilateral executive agreement between the United States and Japan. *See* Michael Blommer, *Washington Letter*, AIPLA BULL. May-June 1994, at 430; *Proposals to Implement New Patent Term and Provisional Application are Issued*, 49 Pat., Trademark & Copyright J. (BNA) 149, 151 (1994).

Transition rules provide that for all patents in force on June 8,

3. Revived Patents

The further intervening rights provision, section 41(c)(2),[90] governing patents revived after lapsing for failure to pay the maintenance fee, is amended in the same way to provide intervening rights for those who offer for sale or import the invention after the six-month grace period but before the acceptance of the maintenance fee.

This provision, like the reissue provision, distinguishes between the absolute right of a person who made or imported the patented article to continue otherwise infringing acts of sale, offer for sale, or use of articles that came into his possession during the period when such conduct was not infringing, and the right to continue importing the infringing product. In each case, whether intentionally or not, the statute provides only that a court may provide for the continued manufacture, use, offer for sale, or sale of the patented thing after revival or reissue, without similarly stating that the court may authorize continued importation of the patented article to the extent that it is equitable. The earlier symmetry of the various intervening statutory rights provisions is thus removed by the recent amendments, without explanation of the disparities that are introduced into the statutory language.

E. *Summary*

As before, the intent to infringe remains irrelevant in the new law.[91] The point of which companies should be aware is that the definition of infringement will be expanded to include activities heretofore "safe," namely, offers for sale and importation. Corresponding changes were made for intervening rights relating to reset, reissued, reexamined, and revived patents. This change carries consequences both for holders of patents, and those preparing for the expected expiration of certain patents.

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[90] 35 U.S.C.A. § 41(c)(2) (West Supp. 1995).

[91] "The law does not require proof of bad faith to establish infringement." Micro Motion Inc. v. Exac Corp., 741 F. Supp. 1426, 1432, 16 U.S.P.Q.2d (BNA) 1001, 1006 (N.D. Cal. 1990) (quoting D.M.I., Inc. v. Deer & Co., 755 F.2d 1570, 1574, 225 U.S.P.Q. 236, 239 (Fed. Cir. 1985)). *See also* Hilton Davis Chemical Co. v. Warner-Jenkinson Co., 62 F.3d 1512, 1519 35 U.S.P.Q.2d (BNA) 1641, 1646 (Fed. Cir. 1995).

Infringement under section 271(e)(2) consists only of the act of filing a paragraph IV certification that is in error. That is, where manufacture, use, or sale would in fact infringe the patent.[87] Section 271(e)(2) only operates to prohibit FDA approval before the status of the patent is determined by the court. If the ANDA applicant is correct, however, there is no "infringement," and FDA approval can follow.

The basis for Royce's claim for qualification under section 154(c) is that it made a substantial investment prior to June 8, 1995 directed towards activities that will only become infringing on August 8, 1995 because of the reset patent term of BMS' patent. This investment totalled one million dollars, including expenses necessary to obtain FDA approval. Although there is no definition of "substantial investment" in the URAA, the court found that one million dollars qualified. The court states:

> The only reading of the URAA and the Hatch-Waxman Act that maintains [consistency rather than conflict between them] provides the patentees an extended patent term in exchange for allowing the new drug companies to use the patented drugs in an otherwise infringing manner as long as they pay equitable remuneration to the patentees for the commercial use.[88]

Therefore, the court concludes that Royce's manufacture, use, or sale of a generic version of captopril during the reset patent term does not infringe the patent. Royce's paragraph IV certification is not in error, so there is no infringement under section 271(e). BMS' only claim against Royce is for equitable remuneration, which is not sought in BMS' complaint.

The FDA is free to approve Royce's ANDA at any time. No claim for equitable remuneration was made, so no relief can be granted. The motion to set aside injunction is granted to the extent that the injunction prohibiting the FDA from approving Royce's ANDA is dissolved.

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[87] The court cited Eli Lilly and Co. v. Medtronic, Inc., 496 U.S. 661, 678, 15 U.S.P.Q.2d 1121, 1130 (1990).

[88] No. 95-1682, 1995 U.S. Dist. LEXIS 12328 at *12.

their products if they have made "substantial investment" before June 8, 1995, in expectation of pre-GATT patent term expiration dates.

b. Bristol-Myers Squibb Co. v. Royce Laboratories, Inc.[81]

The district court for the Southern District of Florida, Miami Division, granted Royce's motion to dismiss and partially granted the motion to set aside injunction.

i. Background

Bristol-Myers Squibb ("BMS") owns the patent relating to the heart drug known as "captopril" and marketed under the name "Capoten." This patent was set to expire on August 8, 1995, before URAA section 154(c)[82] reset the expiration date to February 13, 1996.

Royce made investments and business plans to market a generic version of captopril based on the August 8, 1995, expiration date of the captopril patent. On January 3, 1994, Royce submitted an ANDA to the FDA, which was tentatively approved on March 31, 1995. Final approval was suspended until the status of the patent was resolved.

In an FDA letter issued May 25, 1995 (Department of Health & Human Services Response to Citizen Petition),[83] the FDA determined that there is a conflict between the provisions of section 154(c) and FDA approval procedures. Generic drug applicants could not take advantage of the "invested infringer" provisions of section 154(c). Furthermore, ANDA applicants were told they should amend any outstanding applications to address activity during the reset patent term.

However, a letter from U.S. trade representative Mickey Kantor stated that the language of the statute should apply to all companies equally;

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[81] No. 95-1682,1995 U.S. Dist. Lexis 12328 (S.D. Fla. Aug. 24, 1995).

[82] URAA, *supra* note 5, § 154(c).

[83] No. 95-1682, 1995 U.S. Dist. Lexis 12328 at * 3 n.3.

(2) a determination of the amount or method of calculating the equitable remuneration to be paid to BMS;

(3) a declaration that, as long as BMS is paid equitable remuneration, DuPont will have authority to make, use, and sell its captopril product after August 8, 1995, and thus will not infringe;

(4) an injunction that compels BMS to waive the forty-five day notice period for filing an infringement suit; and

(5) injunctive relief to preclude BMS from filing a 35 U.S.C. § 271(e)(2) infringement suit.

BMS moved in the district court to dismiss for lack of subject matter jurisdiction and failure to state a claim upon which relief may be granted. The district court granted BMS' motion to dismiss on the ground that no actual controversy existed as required by the Declaratory Judgment Act. The district court found that an actual controversy would only occur upon DuPont's filing of paragraph IV certifications.

ii. Before the Federal Circuit

On July 14, 1995, the Federal Circuit granted expedited briefing and hearing of the appeal. A hearing was held on July 31, 1995, and the decision came forth on August 8, 1995.

With respect to the issue of actual controversy for a declaratory judgment which the Federal Circuit would review de novo, there is a two-pronged test applied in situations of noninfringement claims: (1) did the acts of the defendant indicate an intent to enforce its patent, and (2) did the plaintiff engage in an actual making, selling, or using activity subject to an infringement charge or make meaningful preparation for such activity.[78] The Federal Circuit held that there was an actual controversy. Part (1) of the test was met because BMS had threatened to bring patent infringement suits against generic drug manufacturers who attempted to market during the Delta period and had specifically sent letters to DuPont regarding the

[78] Arrowhead Indus. Water Inc. v. Ecolochem, Inc., 846 F.2d 731, 736, 6 U.S.P.Q.2d (BNA) 1685, 1689 (Fed. Cir. 1988).

which the Federal Circuit referred to as the Delta period. Provision was made in section 154(c)(1) of the URAA for those parties who had made substantial preparation before June 8, 1995, for an expected expiration date who now, as a result of the reset patent term, have to wait longer for the patent to expire. DuPont wanted to be characterized as such a party and get the benefit of the URAA provisions.

Before enactment of the URAA, DuPont submitted an ANDA to the FDA for the generic product. The ANDA, in accord with the Hatch-Waxman act, identified August 8, 1995, as the expiration date of the BMS patent. The FDA granted tentative approval of the ANDA in March 1995.

In May 1995, the FDA stated its position in a letter on the effect of URAA's extended patent terms on the statutes and FDA regulations governing the ANDA process. Specifically, the FDA required ANDA applicants who wished to market during the Delta period generic versions of drugs covered by a patent with a URAA-extended term to file a certification that the patent is invalid or will not be infringed by the manufacture, use or sale of the generic drug for which the ANDA is submitted. Filing this certification is infringement under 35 U.S.C. § 271(e)(2), on the basis that an ANDA was filed to obtain FDA approval to market a generic drug "before the expiration" of the drug patent.

In Hatch-Waxman parlance, such a certification is called a paragraph IV certification.[76] If an ANDA contains a paragraph IV certification, the ANDA applicant must give notice to the patentee and must provide detailed bases for its belief that the patent is invalid or not infringed.

The patentee then has forty-five days to sue the ANDA applicant for infringement. If the patentee files suit within that period, then FDA approval does not occur until expiration of the patent, judicial resolution of the infringement suit, or thirty months from the patentee's receipt of notice, whichever is earliest.

An issue in *DuPont* involved whether this Hatch-Waxman procedure is superseded by new 35 U.S.C. § 154(c)(1)-(3), which provides:

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[76] *See* 21 U.S.C.A. §§ 355(j)(2)(A)(vii)(III), (IV) (West Supp. 1995).

not apply.[68] There is also very little, if any, guidance in the Statement of Administrative Action as to what an equitable remuneration is intended to be. Perhaps some guidance will be obtained from decisions on intervening rights in reissue cases.

Section 154(c)(3) expressly provides that whether a party has commenced or made the requisite substantial investment, and the measure of the "equitable remuneration," must be determined in an action in federal district court. Presumably, obtaining this relief would require that the alleged infringer prove to the court that the prerequisite conditions of section 154(c)(2) exist, that is, the alleged infringer has made a "substantial investment" or has "commenced" commercializing. Thus, a whole new species of "equitable remuneration" lawsuits will no doubt be spawned.

Parties who, before June 8, 1995, were in the process of making plans based on the anticipated expiration of certain patents will obviously be affected. To come within the purview of the new statute, parties must have made a "substantial investment" or "commenced" commercialization before June 8, 1995.[69] If they have done so, the "invested infringer" is allowed to infringe the patent during the extended term (from the expiration date of the seventeen-year patent term until the expiration date of the twenty-year patent term) upon payment of "equitable remuneration" to the patent holder.[70]

Even though the terms of some patents were reset on June 8, 1995, from seventeen years after issuance to twenty years post-filing, there is an important limitation on the rights of the patentee during the period of the extra "windfall" term. The limitation protects competitors who commenced infringement or made substantial investments based on the belief that the patent would expire on a specific date, only to find belatedly that the term has been increased. However, it also protects opportunistic competitors who seized upon the Act to obtain an otherwise unobtainable compulsory license. When infringement commences on or after June 8, 1995, or there was no

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[68] The damages remedy of 35 U.S.C. § 284 (1988) is excluded by § 154(c)(2), along with injunctive relief under 35 U.S.C. § 283 (1988) and attorney fees under 35 U.S.C. § 285 (1988).

[69] *See* 35 U.S.C. § 154(c)(2) (1988).

[70] *See* 35 U.S.C. § 154(c)(3) (1988).

even before the infringing article clears Customs and comes into the possession of the defendant.[64]

The addition of importation as an act of infringement is significant. Assume a U.S. patent is set to expire on June 15, 1996. Assume further that on June 10, 1996, a company imports 1,000 machines, all of which literally infringe at least one claim of the patent. The company does not intend to sell any machines until after June 15, 1996, but the act of importation alone is an act of infringement.

C. *Marking Of Goods Offered For Sale Or Imported*

The URAA requires a patentee to mark its product in order to sue for infringement damages, unless the infringer received actual notice of infringement under 35 U.S.C. § 287. The concept of marking versus actual notice is, of course, also applicable in context of the damages that may be recovered from an infringer. Recently, in *Conopco, Inc. v. May Department Stores,* the Federal Circuit held that "[s]ince Conopco did not mark its product with the . . . patent number, defendants are not liable for patent infringement damages prior to the date they had actual notice of the . . . patent."[65]

A parallel change to section 292 makes it an offense to falsely mark a product that is imported or offered for sale without the authorization of the patentee, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was offered for sale or imported by or with the consent of the patentee.

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[64] *See* Bristol-Myers Co. v. Erbamont, Inc., 723 F. Supp. 1038, 1044, 13 U.S.P.Q.2d (BNA) 1517, 1522 (D. Del. 1989) (holding that importation of the product of a patented process occurred on the date when the accused product was physically brought into the United States from outside, without regard to clearing Customs, payment of duties, or sale or use in the United States).

[65] 46 F.3d 1556, 1563, 32 U.S.P.Q.2d (BNA) 1225, 1229 (Fed. Cir. 1994) (citing Amsted Indus. v. Buckeye Steel Castings, 24 F.3d 178, 187-88, 30 U.S.P.Q.2d (BNA) 1462, 1467-70 (Fed. Cir. 1994); American Medical Sys., Inc. v. Medical Eng'g Corp., 6 F.3d 1523, 1537, 28 U.S.P.Q.2d (BNA) 1321, 1331 (Fed. Cir. 1993)), *cert. denied,* 115 S. Ct. 1724 (1995).

provisions.[59] If this is the case, an offer for sale under the infringement provisions of the patent statute differs in a significant respect from the "on sale" provisions of 35 U.S.C. § 102(b).[60] In *UMC Electronics Co. v. United States*,[61] the Federal Circuit held that reduction to practice, by construction of an actual physical embodiment of the claimed invention, is not required for an on sale bar to arise under section 102(b).

New section 271(g) specifies that offering for sale the product of a patented process similarly constitutes an act of infringement. It works in conjunction with section 295, which establishes a presumption that the product offered for sale is made by a patented process, if a substantial likelihood exists that this is the case, and the patent owner made a reasonable effort to determine the process actually used, but was unable to do so.

The main consequence of requiring an actual sale during the patent term in order to make the offer for sale an act of infringement appears to be that the date of infringement will reach back to the date of the original offer. A patentee who can prove loss of sales to customers who accepted the offers for sale of a patented invention from another source may be entitled to relief, such as interest, from the date of the original offer for sale rather than the eventual delivery date. Further, where an offer for sale specifies a delivery date within the term of an unexpired patent, a declaratory judgment action may be maintained, and injunctive relief awarded.

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[59] *See* Paper Converting Mach. Co. v. Magna-Graphics Corp., 745 F.2d 11, 16, 223 U.S.P.Q. (BNA) 591, 594 (Fed. Cir. 1984).

[60] Section 102(b) provides that a person shall be entitled to a patent unless: "the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States." 35 U.S.C. § 102(b) (1988).

[61] 816 F.2d 647, 2 U.S.P.Q.2d (BNA) 1465 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1025 (1988).

At first glance, these amendments may not look like a significant change in the law of infringement. After all, offers do not usually occur in isolation, they occur in the context of a sale, which was already considered an infringing activity. Likewise, people do not usually just import items and hold on to them. Imports are followed by sales. The expanded definition, however, does make a difference in terms of when the patent holder can stop the infringing activity. Both of the new acts occur earlier in time than acts under the previous law. The patent holder has a claim of infringement as soon as goods are imported—he or she does not have to wait until the goods are put on the market and sold. If the alleged infringer advertises the items even before importing, the patent holder has a claim before the items even reach the United States.

These amendments are also relevant to the date from which the patent holder can claim damages. If the patent holder proves a claim of infringement, he or she can claim damages from the date the infringing activity began. Because of the expanded definition in the new law, this date may be earlier in time than under the old law.

A. *"Offering For Sale" Claimed Invention*

It was well settled under prior law that neither an offer for sale of a patented product nor promotional activities aimed at such sale constituted an act of patent infringement or provided a jurisdictional basis for a patent infringement action in federal district court.[53] Furthermore, it was not an act of infringement to threaten future infringement, or even to contract to make a patented invention, and to begin its construction, because section 271 did "not cover acts other than an actual making, using or selling of the patented

[53] Laitram Corp. v. Cambridge Wire Cloth Co., 919 F.2d 1579, 1583, 16 U.S.P.Q.2d (BNA) 1929, 1932 (Fed. Cir. 1990), *cert. denied*, 113 S. Ct. 97 (1992).

in rejecting the application claims. Therefore, there is no cross-examination of the witnesses who present declarations under Rule 131 to show reduction to practice or conception coupled with diligence prior to the reference date.[51]

Also, the declaration of the inventor might be sufficient in a Rule 131 showing if there is sufficient corroborating documentation for the inventor's allegations. In an interference, the inventor's testimony would not likely suffice without the testimony of at least one corroborating non-inventor witness.

Since the Rule 131 papers are part of the prosecution history of a patent and thus are available to the public after the patent issues, a potential challenger of the patent can obtain useful information about the date of invention. However, applicants do not have to reveal the actual dates of conception or reduction to practice in a Rule 131 showing. An applicant can block out the dates on the corroborating documents. In the declarations, the inventor or other witnesses are not required to specify dates, but instead may simply indicate that the date of an event was before or after the reference date. There are instances in which disclosure of the actual dates are necessary to present an understandable explanation of the facts, such as where diligence is alleged. However, the more usual situation does not involve disclosure of the actual dates.

Finally, in an interference, there is a "count" which describes the precise subject matter of any conception or actual reduction to practice. In the Rule 131 situation, the claims of the application define the subject matter of conception or actual reduction to practice. Different claims might require different evidence. The subject matter of the reference must be considered in determining whether the showing of conception or reduction to practice is sufficient. These considerations all make the evaluation of the showing under Rule 131 different from the priority showing in an interference. However, Rule 131 is similar in that by being able to prove a date of invention earlier than the filing date, an applicant may obtain a patent which otherwise would not be granted.

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[51] The absence of cross-examination does not suggest any less need for a careful presentation than would be made in an interference. The duty of disclosure to the PTO requires an accurate and complete submission of the facts. Also, the witnesses likely would be cross-examined if the patent obtained on the basis of a Rule 131 showing were ever involved in a lawsuit or interference.

should not state or imply that an idea is "obvious" in view of known information. It will be difficult to later contend that the idea is a patentable invention involving an inventive step, even if the inventor's concept of what is "obvious" significantly differs from that developed in legal precedent.

The extent and types of impressions or conclusions which an inventor might include in notebook entries, as distinguished from the facts of the experiment, must necessarily vary. By making the scientist aware of the potential use of a laboratory notebook or other such document as evidence to prove an early date of invention, the scientist will be better able to make an informed decision about the information to be included.

E. *Electronic Records*

Just as computers have revolutionized other aspects of life, they have changed the way records are kept in many laboratories. Many investigators, already comfortable with computers as a tool for analyzing their data, also use computers to store their daily records. Observations and notes are entered into magnetic storage using a word processor, and are only printed out if needed. While this form of record keeping is extremely convenient for the scientist, its acceptability for legal purposes is unclear. A problem arises because computerized records can easily be altered, and the existence and timing of alterations cannot necessarily be detected. Means for witnessing electronic records must also be devised.

Various ingenious methods have been proposed to store electronic records so as to make possible the later authentication of the records. However, the legal rules for the use of digital records as evidence have not yet been fully resolved. Therefore it might still be preferable to print out hard copies of such records, and have the hard copies signed and witnessed like any other notebook entry. The printout should be attached permanently to a notebook or otherwise bound into permanent volumes.

Some investigators like to revise and annotate their electronic files as new information accumulates. If this is done, then revisions should also be printed out, dated, and witnessed. The hard copy should be retained by a custodian who can vouch for their integrity.

Other possibilities include using an electronic recording and storage system that cannot be altered or periodically archiving electronically recorded information with a custodian who retains permanent control over

6. Record The Details For Later Use As Evidence

If a laboratory notebook is to be useful as evidence it must record the pertinent information. In addition to the date and identity of the author and witnesses, the relevant information pertinent to proving a date of invention could turn out to be any fact or detail of the laboratory experiments. Since one cannot predict what will become important in later litigation, the records should err on the side of thoroughness and completeness. A rule of thumb is that a laboratory notebook should contain enough information so that a technically sophisticated outsider, familiar with the field of research but unfamiliar with the jargon or idiosyncratic practices of a particular laboratory, will be able to understand what was done.

The notebook record should reasonably include all the details of the experiment. The goal should be to maintain notebooks that are self-explanatory. The notebook record should include not only the data and final results of experiments, but also protocols and designs of the experiments as well as the calculations on which the results are based. Abbreviations make recordkeeping easier, but they should be explained somewhere in the notebook. Terms which might have different meanings in different experiments, at different times, or to different organizations also should be explained (e.g. "Sample 1," in-house non-standard chemical nomenclature).

When the same experimental design is repeated frequently, experimenters typically will note departures from the standard equipment. They also should ensure that the basic constant parameters such as temperature, composition of buffers, and manufacturer and model of equipment used, are recorded somewhere in the notebook. The burden of copying down details can be lessened by taping into the notebook technical data sheets of reagents, photocopies of protocols from other notebooks, or methods sections from published papers. The researcher can prevent any ambiguity by cross-referencing to the page or pages which set forth the experimental design, protocol, or recipes used.

If notebooks are maintained with these principles in mind, a great deal of time and expense can be saved during interference litigation. In addition, locating the relevant evidence is a time-consuming aspect of preparing for an interference. A large group of notebooks may have to be reviewed for information relevant to the case. This process can also be expedited by suitable recordkeeping techniques. Thus, the researcher should make all entries completely legible, understanding that others might

which they are added to the notebook. Sometimes researchers will stretch their signature across both the added document and the underlying notebook page, making it clear that the attachment was already affixed to the notebook when it was signed.

5. Make Records Permanent, Complete, And Continuous

Laboratory records are most useful as evidence if they are kept in a permanent, complete, and continuous form. Therefore, laboratory records should be kept in bound notebooks. Commercially available bound laboratory notebooks are convenient for this purpose and generally provide specific spaces for signing, dating, and witnessing each page. Ideally, entries should be made consecutively into the notebook with no space skipped. Consecutive entry can provide a basis for deducing inadvertently omitted information, such as the date of work on an undated page sandwiched between two dated pages. A bound notebook creates a presumption that the records have not been forged or altered by replacement or insertion of pages.

If many experiments are undertaken simultaneously, or if the experiments extend over long periods of time, it can be inconvenient to enter information consecutively without leaving space between pages. One possible solution is to record concurrent experiments in separate laboratory notebooks. Recording multiple experiments in one book and cross-referencing the pages relating to the same experiment is another approach. One way some researchers do this is by indicating at the top of each continuation page the page from which it is a continuation, and to note at the bottom of each page the page to which the next entry in that experiment can be found.

Use indelible ink for entries. Pencils should not be used. Some researchers occasionally use different pens with different colored ink on the same notebook page, either by happenstance because they grab whichever pen is nearby or because they deliberately choose to use different colored ink to indicate or highlight certain features of their notes. If the use of multiple colors conforms to some system used by the researcher to convey information, an explanation of the significance of the different colors should be written in the notebook.

A disadvantage of using multiple colors, however, is that more typically the explanation of the different colors is not recorded and may be

notebooks. Witnesses should sign and date every page they witness. Signatures in a notebook identify the people who are qualified to testify from firsthand knowledge of the events recorded in the notebook. Further, the signatures can help refresh the memory of those persons regarding work that was performed or witnessed years before, and they can lend credence to other testimony about the work reported in the document.

3. Witnessing Of Inventor Laboratory Notebooks And Other Inventor Records

Because of the rule requiring corroboration, the practice of witnessing inventors' laboratory notebooks and other laboratory records deserves particular consideration. After notebook entries have been signed and dated by the person who made the entry, each page should be signed and dated as soon as possible by a witness. While no legal rule requires that a notebook must be witnessed on the same day that the entry is made, notebook entries should be witnessed promptly rather than weeks or months later. If witnessing is not done regularly and promptly, it can easily be overlooked and forgotten. And if done much later than the date of entry, the PTO might give it much less weight. Moreover, because of the requirement for corroboration, a notebook entry may only be given the benefit of the later date on which it was witnessed by a non-inventor, as opposed to the day on which the inventor signed it.

Every notebook entry made by an inventor should be witnessed by a person who is not a joint inventor, and can read and understand the notebook entry. One should avoid calling as corroborating witnesses fellow employees who have no knowledge about the relevant technology and have no ability to say much about the contents of the document. A technically sophisticated person who witnesses an entry after reading it and understanding its contents will at least be in a position to testify about its contents and meaning.

Ideally, the corroborating witness is a scientist or technician who performed experiments under the inventor's direction, a co-worker who actually observed the inventor's work and witnessed the inventor's laboratory notebook entries, or a supervisor who had personal knowledge of the inventor's ideas. However, a corroborating witness can be any individual capable of substantiating the inventor's explanation of when and how the invention was made, including a witness whose only connection with the inventor's work was to sign and date a notebook entry. In actuality,

conceived idea, when it was actually made, and when it was tested and shown to work.

D. *Maintaining Laboratory Records That Can Be Used As Evidence*

1. Components

Inventors and non-inventor corroborating witnesses who keep timely, accurate, and complete records of their activities will have documentary evidence and testimony available to prove the dates on which conception and reduction to practice occurred. A party may be able to use laboratory notebooks, laboratory data sheets, and reports of laboratory experimentation and results if:

(1) The document provides a record of the facts that must be proved in the legal proceeding;

(2) The document is legible and comprehensible; and

(3) The form and the circumstances of the document are such that the document will be considered to be authentic and accurate.

In preparation for interferences, researchers should collect the information set out below, *while they are performing the research.*

a. *Details of the idea or work conducted*

The more information that is recorded and can be referred to in testimony without relying on the recollection of a witness, the more likely it is that conception and reduction to practice will be provable. Therefore, details should be recorded with the intention of using the records as proof that the recorded work was conducted, and the recorded results were achieved, at the time of the entries.

b. *Dates*

The dates when an idea was formed, when work on the idea was started, and when work was completed should be recorded. Proof of dates

C. *The Corroboration Rule*

1. The Principle Of Corroborating Evidence

One of the most important considerations when maintaining and selecting records, and identifying witnesses, is the interference rule requiring independent corroboration of the inventor's testimony concerning conception, actual reduction to practice, or diligence. The United States Court of Appeals for the Federal Circuit, which reviews the decisions of the PTO Board in interferences, has held that:

> The inventor . . . must provide independent corroborating evidence in addition to his own statements and documents. Such evidence "may consist of testimony of a witness, other than an inventor, to the actual reduction to practice or it may consist of evidence of surrounding facts and circumstances independent of information received from the inventor." The purpose of the rule requiring corroboration is to prevent fraud.[45]

The corroboration rule is based on the suspicion that an inventor might be tempted to lie and commit "fraud" in alleging an early date of invention. The corroboration rule forces parties to present proof of conception, actual reduction to practice, and diligence which is independent of the inventor and is unlikely to have been fabricated or falsified.[46] Corroborating evidence has two basic requirements: First it must not depend solely on the inventor, and second, it must meet the "rule of reason" test for sufficiency. Under the rule of reason, the record as a whole must establish the credibility of the inventor's explanation of how the invention was made and therefore corroborate the inventor's evidence.

The evidence usually relied upon for corroboration is documentary evidence, as well as the testimony of one or more witnesses, other than the inventor, who understands and can explain the recorded information.[47] The most common method of corroborating documents produced by the inventor

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[45] Hahn v. Wong, 892 F.2d 1028, 1032, 13 U.S.P.Q.2d (BNA) 1313, 1317 (Fed. Cir. 1989) (citations omitted).

[46] Horton v. Stevens, 7 U.S.P.Q.2d (BNA) 1245, 1248 (Pat App. & Int. 1988).

[47] *Id.*

B. *Evidence For Proving A Date Of Invention In An Interference*

Any party seeking to prove priority of invention in an interference must bear a burden of proving the facts relating to conception, actual reduction to practice, and diligence by a "preponderance" of the evidence. This means that if the party alleging an early date of conception or actual reduction to practice offers insufficient evidence, the party will not be accorded its date of invention. The evidence, which consists mainly of witness testimony and documentary exhibits, must establish that it is *more likely than not* that the invention was conceived or actually reduced to practice by the date alleged.[42]

1. Testimony

The testimony of witnesses is presented by declaration or affidavit. After the declaration testimony of a witness is initially presented, the opposing party has the right to cross-examine the witness by deposition under oath. A party conducts cross-examination to try to expose errors or contradict the direct or declaration testimony. Also, by cross-examination, a party tries to obtain evidence that supports the party's positions in the interference.

The Board will not accept testimony of a witness in an interference if the opposing party has not been given a fair opportunity to cross-examine by deposition in the United States or, in the case of hardship or by agreement of the parties, outside of the United States.[43] Depositions are taken outside the presence of the PTO Board. The court reporter transcribes the witness testimony, and the written transcription of the deposition testimony can be introduced into the record for consideration by the Board.

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[42] In some circumstances, a party is required to prove its alleged date of invention by clear and convincing evidence, which is a greater burden of proof than a mere preponderance of the evidence. These circumstances are not common, and priority of invention must usually be proved only by a preponderance of the evidence.

[43] *See* 37 C.F.R. § 1.684 (1994).

benefit of a priority application filed in accordance with the Paris Convention or a PCT application, there was no vehicle available to such companies to remove the reference as prior art.

As of January 1, 1996, Rule 131, as modified to comply with Article 27 of GATT/TRIPS, will be available to such parties to "swear behind" prior art. The PTO's final rule states that " [t]he Office is amending 37 C.F.R. § 1.131(a), which is currently limited to facts showing a completion of the invention in the United States, to allow for a submission of facts in an affidavit or declaration that shows a completion of the invention . . . in a WTO Member Country."[38] It is therefore imperative that non-U.S. applicants now understand Rule 131 practice so that they may take advantage of its benefits.

New Rule 131 allows facts showing a completion of the invention in any WTO member country before the filing date of the application on which the [domestic] U.S. patent issued, or before the date of the foreign patent, or before the date of the printed publication. As the new rule explains: "The facts presented must demonstrate a completion of the invention prior to the effective date of a reference thought to prevent the grant of a patent or overturn the patentability of a claim in a patent under reexamination."[39] The evidence submitted should establish reduction to practice prior to the effective date of the reference, or conception of the invention prior to the effective date of the reference coupled with due diligence from prior to said date until a subsequent reduction to practice or the filing of the application. Original exhibits or drawings or records, or photocopies thereof, should accompany and form part of the affidavit or declaration or their absence should be satisfactorily explained.

Although the effective date stated in the final rule is May 31, 1995,[40] as explained above, the amendments to section 104 and Rule 131 will *not* be retroactive. January 1, 1996 will be the earliest date on which to take advantage of the new provisions. Section 1.131(a)(2) is clear: "A date of

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[38] 60 Fed. Reg. 21,043 (May 1, 1995).

[39] *Id.*

[40] *Id.*

> who was the first to disclose to the public his invention. During this period there must be "reasonably continuous activity."[33]

As is apparent, an inventor seeking to rely on diligence during the critical period faces a heavy burden. While minor periods of inactivity, i.e., a few days, may be forgiven or overlooked, as a general rule, to satisfy the requirement for "reasonable diligence," a party must show virtual daily activity directed toward reducing the invention to practice.

To show this necessary activity, the party must be prepared with evidence of what acts occurred as well as the specific dates when those acts occurred.[34] This means that the party asserting diligence must establish *what* was done and *when* it was done.[35] It is not sufficient merely to state that there were no weeks or months where the inventor was not diligent or that the inventor was diligent during the entire critical period.[36]

Under appropriate circumstances, absence of diligence may be excused. To be excused, parties must show that circumstances beyond their control prevented them from working on the invention and, but for those circumstances, they would have been working on the invention.

In interference practice, diligence only rarely becomes an issue. When it does, it can be quite difficult to prove. Accordingly, in the majority of interference cases, the party who was first to reduce the invention to practice, either by actual or constructive reduction to practice, will prevail.

D. *Corroboration*

When seeking to prove that an invention was conceived of or reduced to practice on a given date, an inventor must be able to point to

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[33] Liang v. Borger, 214 U.S.P.Q. (BNA) 368, 372-73 (Bd. Pat. Int. 1981) (citations omitted); *see also* Moller v. Harding, 214 U.S.P.Q. (BNA) 724, 729 (Bd. Pat. Int. 1982).

[34] Kalnoki-Kis v. Land, 214 U.S.P.Q. (BNA) 636, 641 (Bd. Pat. Int. 1982).

[35] Gould v. Schawlow, 363 F.2d 908, 917, 150 U.S.P.Q. (BNA) 634, 643 (C.C.P.A. 1966).

[36] *Id.*

The following examples illustrate the importance of diligence:

C = Conception
R = Reduction to Practice

Case 1: *A* Wins

Party *A*. **C** Diligence **R**

Party *B*. **C** No Diligence **R**

Case 2: *A* Wins

Party *A*. **C** No Diligence **R**

Party *B*. **C** Diligence **R**

Case 3: *B* Wins

Party *A*. **C** Diligence **R**

Party *B*. **C** Diligence **R**

Case 4: *A* Wins

Party *A*. **C** No Diligence **R**

Party *B*. **C** No Diligence **R**

Case 5: Who Wins??

Party *A*. **C** No Diligence **R**

Party *B*. **C** Diligence **R**

Party *C*. **C** Diligence **R**

Time: earlier ——— later

idea of the complete and operative invention as it is thereafter to be applied in practice that constitutes an available conception within the meaning of the law.[31]

B. *Reduction To Practice*

After conception, the inventor must have reduced the invention to practice. This the inventor may do in one of two ways: (1) by actually reducing the invention to practice by making the invention work or (2) by constructively reducing it to practice by filing a patent application.

1. Actual Reduction To Practice

To achieve an actual reduction to practice, the inventor must actually make a tangible embodiment *and* demonstrate a practical utility. For example, if the invention is a machine, and the inventor has conceived of the idea of that machine, the inventor could reduce the invention to practice by building and testing the machine to show that it operates in the way intended.

A successful reduction to practice requires a showing of operativeness or practical utility. The invention need not reach the stage of perfection required for commercial exploitation; nevertheless, the inventor must be able to show that the invention does indeed operate, even if poorly, in its intended functional setting.[32]

2. Constructive Reduction To Practice

Under U.S. law, an inventor has a second option to show the required reduction to practice. This is a relatively simple procedure obviating the need to produce a working model. It is called "constructive reduction to practice." A constructive reduction to practice is simply the filing of a patent application describing the invention, teaching how to make and use it, and explaining the best mode of practicing the invention. Section 112 sets forth

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[31] Mergenthaler v. Scudder, 11 App. D.C. 264, 276 (D.C. Cir. 1897).

[32] Field v. Knowles, 183 F.2d 593, 600, 86 U.S.P.Q. (BNA) 373, 379 (C.C.P.A. 1950).

> fairness to both U.S. and foreign inventors demands a certain identity of treatment with regard to reliance on inventive activity in the United States and abroad. Consequently, the inability of an inventor to rely on a date of invention in the United States where the invention has been subsequently abandoned, suppressed or concealed the invention under patentability determinations under section 102(g) should apply equally to the inventor relying on foreign inventive activity.[30]

The language "the invention under patentability determinations" is unclear, but the PTO is apparently urged to entertain "abandonment, suppression, and concealment" allegations against a party to an interference that is relying on foreign activity. The problem is that section 102(g) appears to apply only in the United States. The likely result, of course, is that a non-U.S. applicant will argue that suppression and concealment, in the absence of a statutory basis, cannot apply to him. Again, absent an amendment to section 102(g) before the issue arises, it probably will be litigated.

2. Third-Party Secret Prior Art

As previously noted, apart from the context of interferences and any effect of interference estoppel resulting from an interference, it is clear that the ability to prove an earlier date of invention outside the United States has no effect as patent-defeating prior art. Congress did not want to expose U.S. patents (regardless of the nationality of the inventors) to possible invalidity based on "worldwide" secret prior art. Nevertheless, some amendment of section 102(g) could have been made to accommodate GATT/TRIPS without removing "in this country" in all situations. For example, section 102(g) could be simply amended to remove "in this country" with respect to interferences. Such an amendment would address the concerns (expressed above regarding post-interference practice) of the losing party's attempt to obtain claims that should have been foreclosed to the party because of the loss of an interference.

In any event, as long as the prevailing policy is not to allow use of non-public foreign activity as prior art to invalidate U.S. patents, there will be a certain lack of symmetry in the law. Foreign activity sufficient to prove

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[30] *Statement of Administrative Action*, *supra* note 19, at 4295.

interference under amended section 104, was not "in this country" under unamended section 102(g).

The doctrine of interference estoppel should obviate this problem. Indeed the legislative history of the URAA takes this position. Specifically, in the authoritative Statement of Administrative Action, one finds the following discussion derived from the *Deckler* case:

> The implementing bill does not change present practice regarding the effect of a determination that establishes which of two or more inventors was first inventor. This practice precludes the losing party from separately patenting the invention in dispute, even if the invention of the winning party was not made "in this country", pursuant to application of section 102(g) of Title 35, U.S. Code. Thus, a losing party is and will continue to be precluded through interference estoppel from separately patenting the invention in dispute or an invention that is not patently [sic] distinguishable from the invention in dispute.[23]

Is the *Deckler* case really a complete answer? The party Deckler, although first to reduce the invention of the count to practice, suppressed the invention until after the other party's priority date, which was obtained by filing a foreign patent application.[24] After return to ex parte prosecution, numerous rejections were apparently made, but the only one sustained by the Board was based on the ground that the rejected claims defined the same invention as the interference count.[25]

Deckler, in his opening brief before the Federal Circuit, challenged the Board's conclusion that the rejected claims were not patentably distinct from the subject matter of the lost count. In his reply brief, however, Deckler in effect conceded that the claims were not separately patentable.[26]

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[23] *Statement of Administrative Action, supra* note 19, at 4294-95 (citing *In re* Deckler, 977 F.2d 1449, 24 U.S.P.Q.2d (BNA) 1448 (Fed. Cir. 1992)).

[24] *In re* Deckler, 977 F.2d at 1450, 24 U.S.P.Q.2d (BNA) at 1448.

[25] *Id.*

[26] *Id.* at 1450-51, 24 U.S.P.Q.2d (BNA) at 1448.

> implementing bill makes this provision applicable to information in any WTO member country.[19]

Although this does not do much more than re-state the statute, it appears that the scope of discovery defining the "could be made available" language should depend directly upon the type of proceeding in which the date-of-invention issue arises. Thus, in an interference proceeding before the PTO, a narrow scope of discovery would define the type of information that "could be made available." In a federal district court, on the other hand, the scope of discovery is much broader, and so therefore would the information that "could be made available" in the United States.

In the interference context, this interpretation seems consistent with Interference Rule 616(c):

> To the extent that an administrative patent judge or the Board has authorized a party to compel the taking of testimony or the production of documents or things from an individual or entity located in a NAFTA country or a WTO member country concerning knowledge, use, or other activity relevant to proving or disproving a date of invention (§ 1.671(h)), but the testimony, documents or things have not been produced for use in the interference to the same extent as such information could be made available in the United States, the administrative patent judge or the Board shall draw such adverse inferences as may be appropriate under the circumstances, or take such other action permitted by statute, rule, or regulation, in favor of the party that requested the information in the interference, including imposition of appropriate sanctions under paragraph (a) of this section.[20]

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[19] *The Uruguay Round Agreements Act Statement of Administrative Action*, 103d Cong., 2d Sess. 1001 (1994), *reprinted in* 1994 U.S.S.C.A.N. 4040, 4295 [hereinafter *Statement of Administrative Action*].

[20] 37 C.F.R § 616(c) (1995).

B. *Penalty For Inadequate Discovery*

Discovery in interferences may be more difficult as U.S.-based parties attempt to test the priority case of a foreign-based party. Obtaining discovery in foreign countries has its well-known difficulties. New section 104 provides a type of protection for U.S. companies in the form of penalties against foreign parties that do not provide appropriate discovery. New section 104(a)(3) reads:

> To the extent that any information in a NAFTA or a WTO member country concerning knowledge, use, or other activity relevant to proving or disproving a date of invention has not been made available for use in a proceeding in the Patent and Trademark Office, a court, or any other competent authority to the same extent as such information could be made available in the United States, the Commissioner, court, or such other authority shall draw appropriate inferences, or take other action permitted by statute, rule, or regulation, in favor of the party that requested the information in the proceeding.[16]

This discovery language appears to impose a mandatory requirement on the PTO or a court to "draw appropriate inferences" when evidence relevant to the date-of-invention issue cannot be obtained from a party, or perhaps even a third party, in a WTO member country. 37 C.F.R. § 1.616(a) sets out the possible sanctions for an administrative patent judge or the Board to impose in the course of taking "other action" as authorized by the statute. Section 1.616(a) reads as follows:

> An appropriate sanction may include among others entry of an order:
> (1) Holding certain facts to have been established in the interference;
> (2) Precluding a party from filing a paper;
> (3) Precluding a party from presenting or contesting a particular issue;
> (4) Precluding a party from requesting, obtaining, or opposing discovery;

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[16] 35 U.S.C.A. § 104(a)(3) (West 1984 & Supp. 1995).

If both parties prove a date of invention of January 1, 1996 therefore, under the URAA, one would expect the senior party to win under *Oka*. In the event, however, that both parties have the same effective filing date, and there is no senior party, neither party would win if both prove the same earliest inventive date, such as January 1, 1996.

In practice, the ramifications of the amendment to section 104 will be delayed past January 1, 1996. Applicants having a priority application under the Paris Convention or a PCT application filed before January 1, 1996 will most likely continue to rely on these cases to prove a date of invention in the United States, just as they did under old section 104. This, of course, assumes that such earlier filed applications contain the necessary support under 35 U.S.C. § 112 for the claims of their U.S. application. The real effect of amended section 104 will be felt when priority applications and PCT applications are filed *after* January 1, 1996.

A. *Effect On Interference Practice*

Heretofore, the foreign applicant was almost always limited to reliance on the foreign priority document as a constructive reduction to practice of the invention. No more! As of January 1, 1996, patent applicants will be able to prove a date of invention relying on inventive activity occurring outside of the United States. As a result, priority in interferences with foreign opponents will no longer be as straightforward as it was in the past. The near certainty under prior law that the foreign party would be restricted to its foreign filing date as the earliest date of invention will become a complete uncertainty under amended section 104.

There were benefits in being able to develop a preliminary motion strategy while knowing the earliest date of invention provable by your opponent. After January 1, 1996, parties will not know what date its opponent plans to establish until *after* the preliminary motion period of the interference. Basically, U.S.-based parties will join foreign-based parties in being in the dark about their opponent's priority proofs until after the preliminary motion period of the interference.

Taking testimony in interference proceedings may become more difficult. If foreign-based parties try to prove a date of invention based on inventive acts in a WTO member country, the inventors may be non-English speaking. Although the rules will require the direct testimony to be

Patent Cooperation Treaty ("PCT") application filing dates.[9] The Patent and Trademark Office ("PTO") rules in 37 C.F.R. §§ 1.622, 1.623, 1.624, and 1.628 have been changed to permit parties to rely on inventive activity in any WTO member country as evidence proving an alleged date of invention.[10]

URAA section 531(b)(2) is not retroactive. New section 104 will apply *only* to patent applications filed on or after January 1, 1996, and therefore, will not apply at all to applications pending or patents in force before January 1, 1996. In addition, non-U.S. inventive activity will not be effective for proving a date of invention before January 1, 1996.[11] Section 531(b)(2) of the Act is clear on this point. For example, an applicant filing a U.S. application on January 2, 1996 will be entitled to rely upon inventive activity in a WTO member country to prove a date of invention, but the earliest date recognized would be January 1, 1996.

The practical consequences of the amendment, therefore, will only be felt later in time. Applicants filing U.S. patent applications based on non-U.S. inventive activity will not be able to prove a date of invention earlier than January 1, 1996, and thus, it will not be possible, based on such proofs, to antedate prior art that has itself an effective date (e.g., is published) before January 1, 1996.

In the case of two opposing parties in an interference claiming January 1, 1996 as the date of invention, the PTO states:

> The result in this situation is not affected by the Uruguay Round Agreements Act. Three highly fact-dependent relevant decisions are: *Wood v. Eames*, 1880 C.D. 106 (Comm'r Pat. 1880); *Lassman v. Brossi et*

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[9] Any countries joining the WTO after January 1, 1996 will only be able to prove a date of invention as early as the date the country joins the WTO.

[10] PTO rules relating to the North American Free Trade Agreement ("NAFTA") may provide an exception by permitting reliance on evidence of invention in Canada and Mexico. URAA, *supra* note 5, § 531 (to be codified at 35 U.S.C. § 104).

[11] 60 Fed. Reg. 14,520 (1995).

I. INTRODUCTION

The 1994 harmonization of trade rules under the General Agreement on Tariffs and Trade ("GATT")[1] extends to patents by operation of its Agreement on Trade-Related Aspects of Intellectual Property Rights[2] ("TRIPS").[3] Article 27 of TRIPS requires that all World Trade Organization ("WTO") countries make patents available and patent rights enjoyable without discrimination based on place of invention.[4] To comply with Article 27, the Uruguay Round Agreements Act ("URAA"),[5] signed by the President on December 12, 1994, allows U.S. patent applicants to prove a date of invention by inventive activity in any WTO member country.[6]

Historically, only inventive activity in the United States served to prove a date of invention for a U.S. patent. Inventors outside the United States could not use their non-U.S. activity to prove they were the "first to invent"; the best they could do was rely on the earliest filing date of their non-U.S. patent applications. This issue could have been resolved by the United States moving to a "first to file" system, as exists in the rest of the world, but for the foreseeable future at least, the United States will remain with a "first to invent" system. If two or more inventors seek to patent the same invention in the United States, the one who invented first has the superior right to the patent. To comply with GATT/TRIPS, the URAA amended 35 U.S.C. § 104 to permit applicants to rely on inventive activity in

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[1] General Agreement on Tarrifs and Trade, *opened for signature* Oct. 30, 1947, 61 Stat. A3, 55 U.N.T.S. 187 [hereinafter GATT].

[2] The Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, *opened for signature* Apr. 15, 1994, 33 I.L.M. 81 [hereinafter TRIPS].

[3] GATT SECRETARIAT, THE RESULTS OF THE URUGUAY ROUNDS OF MULTI-LATERAL TRADE NEGOTIATIONS, THE LEGAL TEXTS 365 (1994).

[4] *Id.* at 379-80.

[5] Uruguay Round Agreements Act, Pub. L. 103-465, 108 Stat. 4809, 4814 (1994) (codified in scattered titles of U.S.C.) [hereinafter URAA].

[6] *Id.* § 531 (codified at 35 U.S.C.A. § 104(a)(2)(c) (West Supp. 1995)).

V. KEEPING RECORDS AND DEVELOPING THE EVIDENCE TO PROVE A DATE OF INVENTION 333
A. *Introduction* 333
B. *Evidence For Proving A Date Of Invention In An Interference* 334
1. Testimony 334
2. Documents 335
C. *The Corroboration Rule* 336
1. The Principle Of Corroborating Evidence 336
2. Corroborating Witnesses 337
D. *Maintaining Laboratory Records That Can Be Used As Evidence* 338
1. Components 338
a. *Details of the idea or work conducted* 338
b. *Dates* 338
c. *Names of individuals with personal knowledge of documented information* 339
2. Recording Who Wrote And Who Witnessed Each Entry 339
3. Witnessing Of Inventor Laboratory Notebooks And Other Inventor Records 340
4. Signing And Dating Laboratory Records 341
5. Make Records Permanent, Complete, And Continuous 342
6. Record The Details For Later Use As Evidence . 344
7. Researcher Impressions In Laboratory Notebooks 345
E. *Electronic Records* 346
F. *Rule 131 Declarations* 347
G. *Summary* 349
VI. INFRINGEMENT 349
A. *"Offering For Sale" Claimed Invention* 350
B. *Importation Of Claimed Invention Into The United States* .. 353
C. *Marking Of Goods Offered For Sale Or Imported* 354
D. *Intervening Rights* 355
1. Invested Infringers 355
a. DuPont Merck Pharmaceutical Co. v. Bristol-Myers Squibb Co. 357
i. Before the district court 357
ii. Before the Federal Circuit 360

The principal cost reduction of filing a provisional application comes from the reduced filing fees and the reduced costs associated with meeting the requirements of a section 111(a) application that are not required of a section 111(b) provisional application. In addition, a provisional application would avoid any prosecution costs which may occur if a section 111(a) application were filed.

Accordingly, compared to a foreign filing-U.S. filing strategy, the additional filing of a provisional application at about the same time as the foreign filing will give the non-U.S. inventor an earlier prior art effect date under sections 102(e) and (g), will provide one year of additional protection against statutory bar activity under section 102(b), and will provide a date of a constructive reduction to practice in the United States, which is almost one year earlier than would otherwise be obtained by waiting the full Paris Convention priority year before filing in the United States.

C. *PCT Combined With Provisional Application*

For applicants faced with the international protection of patentable subject matter, the growing costs of global patent protection are a significant factor in developing a patent procurement strategy. It is not surprising, therefore, that such applicants are increasingly using the Patent Cooperation Treaty as a convenient mechanism to file patent applications in over seventy-five countries that are now part of the PCT, and to postpone the significant costs associated with obtaining patent protection in individual countries.

The introduction of provisional applications provides inventors with an opportunity to file a provisional application first in the United States to obtain the advantages discussed above, followed by an international application that designates the United States and other countries of interest. This option would defer all prosecution costs in all countries for up to thirty months, while communicating only with the international searching and/or preliminary examination authorities.

The postponement of prosecution for a period of up to thirty months after the first application is filed is more likely to provide a focused examination in each country in which a national application is filed. For inventions that may require extensive product or market development, or that are subject to premarket regulatory review, postponing the examination process is not only a viable, but a useful prosecution strategy.

accomplish using the principles embodied in the invention. Compared to a section 111(a) application, the prompt filing provisional application would omit such elements as the background of the invention, comparison to related prior art, a full schedule of claims, and an abstract.

3. Normal Filing

This type of provisional application is essentially indistinguishable from a section 111(a) application except that it would include the filing of the required cover sheet identifying it as a section 111(b) provisional application. It could be used where the time and resources are available to draft such an application and yet take advantage of the benefits that can be derived from filing a provisional application.

This type of provisional application would be desirable when the motivation is to postpone the start of the twenty-year patent term or to defer examination costs for a period of one year. The advantages of this type of filing are that it is possible that only a single application would have to be drafted, it would be a hedge against the unavailability of the inventors at the time that a nonprovisional application had to be filed, and it would avoid the necessity for updating the best mode which may be required when subject matter is added to a later-filed application.

The content of a normal filing provisional application would parallel those of a section 111(a) application except that the oath or declaration need not be submitted in the provisional application. The application papers when filed must clearly indicate that a provisional application is intended, and would preferably contain the provisional application cover sheet required.

4. Conversion Filing

In addition to correcting an error in failing to clearly indicate that a provisional application was intended to be filed, the conversion procedures may be useful to U.S. inventors in the following circumstances. First, the conversion to a provisional application provides a useful mechanism to make a mid-course correction when it is discovered that some adjustment to the disclosure must be made within one year of filing the nonprovisional application. This type of situation would typically arise in a situation which would compel the filing of a CIP application. Where this event takes place within the first year of pendency, it would be possible and perhaps desirable

evaluation of the potential benefits of filing and the risks associated with failing to file. Some of the filing strategies that are likely to be considered by both U.S. and non-U.S. inventors are discussed below. In addition, the potential benefits of using a provisional application in conjunction with an international filing strategy using the Patent Cooperation Treaty is considered.

A. *U.S. Inventor*

The decision to file a provisional application and how much effort to devote to its preparation will depend on many factors. Among the critical factors that will be considered in making this decision are: (1) the time available to file a provisional application, (2) the amount of resources that are devoted to the preparation of the provisional application, (3) the benefits that are sought in filing a provisional application, (4) the risks associated with pursuing other courses of action, and (5) the confidence that the benefits can be achieved and the risks minimized by pursuing a provisional application strategy. The amount of time and effort that is devoted to preparing a provisional application is likely to be directly proportional to the amount of time that is considered necessary to secure the desired benefits of a provisional application.

For U.S. inventors, the continuum of time and effort devoted to a provisional application can be described in terms of three types of provisional applications: (1) emergency filing, (2) prompt filing, and (3) normal filing. In addition, a U.S. inventor can also consider a conversion filing when circumstances change within the first year after filing a section 111(a) application that does not claim the benefit of an earlier filed patent application.

1. Emergency Filing

Emergency filing of a provisional application is most likely to take place because of an actual or perceived time-sensitive event. This strategy could be used to protect absolute novelty world-wide when there is an imminent event that would otherwise destroy absolute novelty, or to get an application on file before the grace period expires.

Emergency filing could also be used in those circumstances where it is considered desirable, from a competitive standpoint, to obtain the earliest U.S. filing date for even a single species of an invention that has yet to be

conception prior to the date of the reference coupled with diligence from prior to the effective date of the reference up to a subsequent reduction to practice.

Provisional applications may be particularly useful where a rapidly prepared provisional application with an insufficient disclosure is followed by diligent preparation and filing of a complete provisional or nonprovisional patent application. In this scenario, the first provisional application provides proof of conception, and diligent preparation of the second application can satisfy the requirement for diligence. The second application serves as the constructive reduction to practice.

E. *Grace Period—Setting Section 102(b) Date*

The United States provides a grace period to inventors. An inventor can preserve the opportunity to obtain a U.S. patent even though there may be a public disclosure of the invention within a year before a patent application is filed in the United States. A printed publication or other activity under section 102(b) is a bar to a patent in the United States if it occurred more than one year before a patent application is filed in the United States. Thus, the earlier a patent application is filed in the United States, the earlier the section 102(b) activity would have to occur to bar a patent. Filing a provisional application fixes the one year grace period.

This feature of a provisional application should be particularly attractive to non-U.S. inventors, who would normally wait for the end of the Paris Convention year to file in the United States after filing an application in their own country. By filing a U.S. provisional application at about the same time as the application in their own country, these inventors can obtain up to an additional year of protection against section 102(b) prior art. Consider, for example, an invention that is made in Germany on April 1, 1996, and is described in a publication which is made on January 1, 1997. The German application is filed on May 1, 1997, and a section 111(a) U.S. application is filed on May 1, 1998, claiming the benefit of the German application. The January 1, 1997 reference would be a statutory bar to the claims presented in the U.S. application under section 102(b). Under section 119(a), any reference published before May 1, 1997 is a statutory bar to obtaining a patent in the United States.

Assume, however, that in addition to the German priority application, the applicant filed a provisional application in the United States

C. *Prior Art Effect Date*

This feature of a provisional application has potential benefits both for U.S. and non-U.S. inventors. As discussed above, where a patent issues on a nonprovisional application claiming the benefit of a provisional application, the filing date of the provisional application is likely to be considered the effective date for prior art purposes under sections 102(e) and (g), as long as the provisions of section 371 are avoided.

For U.S. inventors, the benefit lies primarily in the ability to file a patent application at a lower cost because of the lower fees and simpler formal and legal requirements. Further, a provisional application provides greater benefits than the document disclosure program[103] which provides an opportunity for an inventor to file a document with the PTO and establish a date of conception of the described invention. The filing date of the disclosure document would not have prior art effect.

A non-U.S. inventor can also rely on the filing date of an application in the United States as the prior art effect date, but not on an application filed outside the United States. Although most non-U.S. inventors wait until the end of the Paris Convention year to file an application in the U.S., the introduction of provisional applications now provides a lower cost alternative for filing an application in the United States at or about the same time that an application is filed in their country.

There is an important limitation in section 102(e) for those who use the PCT, and particularly those who would enter the national stage in the United States under section 371. When using a provisional application in conjunction with an international application, the prior art effect of the provisional application can be preserved by avoiding entry into the national stage. Applicants using the PCT should consider filing a continuation application under section 111(a) at or before the deadline for entering the national stage in the United States. The prior art effect of a patent issued on a continuing application claiming the benefit of the international application designating the United States and the provisional patent application would be the provisional application filing date. This assumes, of course, that the

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[103] The document disclosure program is described in the MPEP, *supra* note 59, § 1706.

Conversion is not available on an application that was filed before June 8, 1995. A provisional patent application cannot have a filing date prior to June 8, 1995, when the domestic priority system took effect.[102]

VII. ADVANTAGES OF A PROVISIONAL APPLICATION

There are many benefits that can be obtained by filing a provisional application. Not all benefits will be attractive to all inventors. Some benefits of a provisional application will be attractive to only U.S. inventors (e.g., maximizing the benefit of the twenty-year patent term, deferred examination), and some will be primarily attractive to non-U.S. inventors (e.g., prior art effect).

A. *Twenty-Year Patent Term*

One important feature of a provisional application is that the patent term does not start with the filing date of a provisional application, but rather with the filing date of the nonprovisional application that may claim the benefit of a provisional application. Thus, it is possible for a U.S. inventor to shift the twenty-year patent term one year into the future by filing a provisional application first, and waiting for twelve months to file a nonprovisional application which can mature into a patent. This benefit can also be obtained by using the conversion procedures described above to convert a section 111(a) application as filed into a provisional application.

According to recent PTO maintenance fee statistics, only about one-third of the patentees in the United States pay the third maintenance fee. This fee is due eleven-and-a-half years from the date of the patent grant. So, for two-thirds of U.S. patent holders, there would be no benefit in shifting the twenty-year patent term an additional year into the future. However, for those inventions that are likely to have long product or market development cycles, or that are subject to premarket regulatory review, such as with pharmaceuticals and medical devices, postponing the start of the twenty-year patent term can provide significant commercial and financial benefits.

A U.S. patent issued from an application that claims benefit of a provisional application will be entitled to a term that expires up to twenty-one years from the filing date of the provisional application, i.e., twenty

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[102] *Id.* at 20,210 (response to comment 51).

an attorney or agent, this may put the inventor in a position as the sole authority to obtain access and order copies of the provisional application (e.g., for foreign filing purposes).

E. *Other Differences*

Unlike a section 111(a) application, a provisional application cannot be placed in an interference under section 135, and cannot be converted to a Statutory Invention Registration ("SIR") under section 157. Access to an interference or a SIR can be easily achieved by filing a section 111(a) application, claiming the benefit of the provisional application to provoke an interference or have the application published as a SIR.

A provisional application is further distinguished from an application filed under section 111(a) because there are certain prohibitions that uniquely apply to provisional applications. For example, an Information Disclosure Statement may be filed in a section 111(a) application, but must not be filed in a section 111(b) provisional application.[96]

Amendments are permitted to a section 111(a) application, but are not permitted in a section 111(b) provisional application unless they are necessary to comply with some provision of the regulations pertaining to a provisional application.[97] Thus, for example, unless a claim was filed with the provisional application on the filing date, a claim could not be later presented because it is not a requirement of the regulations pertaining to provisional applications.

Finally, for those biotechnology inventions that involve amino acid and nucleotide sequences, the disclosure of these sequences in a provisional application need not comply with the applicable regulations.[98] Although the sequence regulations are not mandatory in a provisional application, the PTO encourages applicants to follow the regulations to ease the task of

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[96] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,222 (to be codified at 37 C.F.R. § 1.51(b)).

[97] *Id.* at 20,223 (to be codified at 37 C.F.R. § 1.53(b)(2)).

[98] *Id.* at 20,211 (to be codified at 37 C.F.R. § 1.53(b)(2)(iii)). The applicable regulations are codified at 37 C.F.R. §§ 1.821-1.825 (1994).

where a provisional application is filed claiming benefit of a foreign priority application.

It may be possible to convert an original provisional application having a claim, to an application filed under section 111(a) as of the filing date of the provisional application. The only difference between the filing date requirements of a section 111(b) provisional application and a section 111(a) application is that a claim is required in the latter.

The PTO may provide relief under these circumstances under 37 C.F.R. § 1.182, by providing the ability to convert a section 111(b) provisional application to a section 111(a) application as of its filing date, so long as the additional fees and requirements are satisfied.

B. *Oath/Declaration Is Not Required*

An oath or declaration by the inventors, required for other patent applications under section 115, need not be filed in a provisional application. As noted above, however, it may be desirable to have inventors execute an oath or declaration at the time of filing the provisional application where it is likely that (1) the inventors would not be available at the time a nonprovisional application would be filed, and (2) the nonprovisional application would be identical to the provisional application. Even if the inventors execute an oath or declaration, there is little need or purpose that can be achieved by filing it in a provisional application, unless it is coupled with a power of attorney to facilitate access to the provisional application.

C. *No Examination To Determine Patentability*

The PTO will not examine a provisional application under section 131 for patentability of the subject matter described in the application. The PTO will review the provisional application papers to the extent necessary to determine that all parts prescribed in 37 C.F.R. § 1.51(a)(2) have been filed, and that the application is in the English language.

The PTO will not examine the sufficiency of the disclosure in a provisional application except in two possible situations relating to another application or patent. The first situation involves the examination of a nonprovisional application that relies on the filing date of a provisional application. If prior art is identified which has an effective date between the provisional and the nonprovisional filing dates, the examiner must

V. DIFFERENCES FROM OTHER PATENT APPLICATIONS

The provisions of Title 35 relating to applications for patent apply to provisional applications except as otherwise provided.[91] Clearly, the biggest differences are that a provisional application cannot result in the grant of a patent and can be considered pending for no more than twelve months after the date that it is filed.

Although a provisional application is considered to be an application regularly filed in the United States, it is different from an application under section 111(a) because it does not require a claim,[92] it is not subject to the requirement of an oath or declaration under section 115, it is not subject to a substantive examination under section 131, it cannot be placed in an interference under section 135, and it cannot be converted to a statutory invention registration under section 157.[93]

A. *A Claim Is Not Required*

Although a claim is not required to be filed with a provisional application, there are some benefits associated with including a claim with a provisional application. First, since the specification required in a provisional application must comply with the first paragraph of section 112, the only true measure of the sufficiency of that disclosure is with respect to a claimed invention. Accordingly, many drafters of patent applications start with the writing of a claim to ensure that the specification which is written in support of that claim provides all the requirements mandated by the first paragraph of section 112.

Second, the addition of a claim may provide a better and more familiar focus relative to the naming of inventors of the described subject matter. If the inventors named in the provisional application are the inventors of the subject matter in a claim presented in that application, it is highly likely that at least one of the individuals named will be an inventor of the subject matter claimed in a subsequent application which can mature

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[91] 35 U.S.C.A. § 111(b)(8) (West Supp. 1995).

[92] 35 U.S.C.A. § 111(b)(2) (West Supp. 1995).

[93] 35 U.S.C.A. § 111(b)(8) (West Supp. 1995).

necessary to ensure that the application papers are properly processed the first time. The cover sheet should identify the name or names of the inventor or inventors. The cover sheet should also identify the residence of each named inventor, the title of the invention, and a correspondence address.

If applicable, the cover sheet should also identify the name and registration number of any attorney or agent that has been appointed, and the docket number used by the person filing the application to identify the application.

3. English Language

Like nonprovisional U.S. applications, provisional applications need not be filed in the English language to obtain a filing date. However, the PTO has indicated that it will require an English language translation and payment of the fee required in 37 C.F.R. § 1.52(d) in any provisional application filed in a language other than English.[86] This requirement is likely to be issued at the time the application is initially reviewed for filing date purposes.

If any of these requirements for a complete provisional patent application are not satisfied as of the filing date, or if the information supplied with or in the provisional patent application is not in the English language, the PTO will send a notice to the correspondence address provided in the provisional patent application, setting forth a time period and the fee or surcharge that will be required to complete the provisional patent application requirements. Failure to timely respond to this notice will result in the application being regarded as abandoned.

IV. Reviving A Provisional Application

A petition to revive an abandoned provisional patent application is available to address the failure to timely respond to a notice from the PTO requiring that certain information be supplied in the provisional application. The PTO notice is most likely to take the form of a notice of missing parts, or a notice to supply an English language translation of a provisional application filed in a language other than English.

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[86] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,209 (response to comment 43).

When the requirements for a filing date are satisfied, provisional applications are screened for security sensitive information in the same manner and for the same purposes as nonprovisional applications. As noted by the PTO, the language of 37 C.F.R. §§ 5.11-5.15 provides for the grant of a foreign filing license for a provisional application.[80]

If the minimum requirements for a filing date are not satisfied, the PTO will issue a Notice of Incomplete Application, identifying the requirements that have not been satisfied and providing a time period to correct the deficiencies.[81] If the omissions are not supplied within the time period, the application papers may be returned or otherwise disposed of by the PTO.

Although certain minimum requirements are sufficient to obtain a provisional application number and filing date, the PTO has set forth additional requirements that must be satisfied to complete the provisional patent application. The PTO will notify applicants of the deficiencies in the provisional patent application to the extent that all requirements of 37 C.F.R. § 1.51(a)(2) are not satisfied on filing.[82] Failure to timely respond to this notice, including the surcharge,[83] will result in abandonment of the provisional application. If applicant has failed to include a correspondence address with the application papers, applicant has two months from the filing date to complete the provisional application requirements to avoid abandonment.[84]

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[80] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,207 (response to comment 34).

[81] 37 C.F.R. § 1.53(c) (1994).

[82] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,224 (to be codified at 37 C.F.R. § 1.53(d)(2)).

[83] *Id.* (to be codified at 37 C.F.R. § 1.16(l)).

[84] *Id.* (to be codified at 37 C.F.R. § 1.53(d)(1)).

filing of a nonprovisional application.[72] The PTO will grant an application the benefit of the filing date of an earlier-filed application as long as there is one inventor in common between the applications.[73]

Even if an error in naming the inventors is made, there are procedures available to provide the names of the correct inventors. Correction procedures are available for both adding and deleting inventors in a provisional application. It should be noted that the procedure for adding the names of inventors is more user-friendly than the procedure for deleting inventors.

The procedure for adding an inventor in a provisional application involves filing a petition, and fee,[74] including a statement by anyone with a knowledge of the facts[75] that a mistake was made without deceptive intent on the part of the actual inventor(s) and requesting that the additional name(s) be added as an inventor.[76] The procedure for deleting an inventor, however, requires a petition and similar fee, which includes a statement by the person whose name will be deleted establishing that the error occurred without deceptive intent.[77] These statements need to be verified only if made by someone not registered to practice before the PTO.

It is also possible to simply name the current inventors at the time of filing the nonprovisional application, without making any correction in the

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[72] The PTO has advised that the time when the correct inventors must be named is when the applicant has determined what the invention is by the filing of the section 111(a) application. *Id.* at 20,208 (response to comment 30).

[73] *Id.* at 20,202 (to be codified at 37 C.F.R. § 1.78(a)(3)).

[74] *Id.* at 20,226 (to be codified at 37 C.F.R. § 1.17(q)).

[75] The PTO has indicated that it would be appropriate for a registered practitioner, who did not file the provisional application, to sign the statement required by 37 C.F.R. § 1.48(d) if the registered practitioner has a reasonable basis to believe the truth of the statement being signed. *Id.* at 20,208 (response to comment 34).

[76] *Id.* at 20,222 (to be codified at 37 C.F.R. § 1.48(d)).

[77] *Id.* (to be codified at 37 C.F.R. § 1.48(e)).

111(a) application claiming priority of the non-English language provisional application.[65]

There is no requirement that would limit the specification in a provisional application to a single invention. It would be possible to combine a large number of disclosures of unrelated inventions in a single provisional application. Applicants who take this approach, however, should be aware that when any patent issues that claims the benefit of the provisional application, access to the entire content of the provisional application will be available to the public.

2. Drawing

The only drawing that is required in a provisional application is one that is necessary to understand the subject matter sought to be patented.[66] Drawings may be included in a provisional application even though not required, particularly where they would facilitate an understanding of the invention.[67]

The need for a drawing in any provisional application is the same as the need for a drawing in any patent application. The subject matter that is likely to be claimed in the subsequent nonprovisional application should guide the need for a drawing.

The formal requirements for drawings[68] in a nonprovisional application need not be observed in a provisional application. Informal drawings are sufficient.

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[65] *Id.*

[66] 37 C.F.R. § 1.81(a) (1994). A proposed amendment to this section was withdrawn because it was felt that "no further elaboration on the content of the drawings in a provisional application is believed necessary in the rules." Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,213 (response to comment 75).

[67] 37 C.F.R. § 1.81(b) (1994).

[68] 37 C.F.R. § 1.84 (1994).

periods takes place after the publication of the international application, rendering the section 102(e) date moot as far as establishing prior art is concerned.

The adverse effects of entering the national stage under section 371 could be avoided by filing a continuing application under section 111(a) by the deadline for entering the national stage in the United States. The section 111(a) application could claim the benefit of the filing dates of both the international and provisional applications. Any patent issuing on the section 111(a) application would be entitled to the benefit of the provisional application filing date under section 102(e) to the extent that the subject matter was common to all three applications.

III. REQUIREMENTS FOR FILING A PROVISIONAL APPLICATION

The requirements for filing a provisional application should be separated into two categories: those associated with obtaining a filing date, and those associated with a complete provisional application necessary for maintaining the pendency of a provisional application for a period of twelve months from the filing date. The PTO has established procedures to assign an application number and filing date to a provisional application once certain minimum requirements are satisfied, and to provide an applicant with an opportunity to complete other requirements in response to a PTO notice that will identify the requirements that have not been satisfied.

A. *Filing Date Requirements*

The filing date requirements for a provisional application are: (1) specification complying with section 112, first paragraph, (2) drawings, if necessary to comply with section 113, (3) inventor(s) name(s), and (4) an indication that a provisional patent application is intended.[60] These are the

processed early unless a specific request for early processing is made. Patent Cooperation Treaty, *supra* note 11, arts. 23, 40.

[60] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,233 (to be codified at 37 C.F.R. § 1.53(b)(2)).

States, the provisional application filing date should be regarded as the effective date of the patent for prior art purposes.

Under section 111(b)(8), all provisions of Title 35 regarding patent applications shall apply to provisional applications unless otherwise provided. There is no provision in section 102(e) that would exclude provisional applications from operation of this section.

The PTO has taken the position that a U.S. patent granted on a section 111(a) patent application which claims the benefit of a provisional patent application is effective prior art as of the provisional application filing date under both sections 102(e) and 102(g).[50] As to an invention that is described in a U.S. patent that claims the benefit of a section 111(b) provisional application, the filing date of the provisional application constitutes the date that an "application for patent [was] filed in the United States"[51] and constitutes evidence of the date "the invention was made in this country."[52]

One commentator has expressed reservations about the potential prior art effect of a provisional application.[53] It is argued that a provisional application will not establish a section 102(e) prior art date because, unlike an application filed under section 111(a), a provisional application cannot issue as a patent.[54] It is further argued that a provisional application could not be used as evidence of prior invention under section 102(g) because only an actual reduction to practice can be used as patent-defeating prior art.[55]

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[50] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,206 (responses to comments 14 and 15).

[51] 35 U.S.C. § 102(e) (1988).

[52] 35 U.S.C. § 102(g) (1988).

[53] Andrew J. Patch, *Provisional Applications and 35 U.S.C. 102(e) in View of* Milburn, Hilmer, *and* Wertheim, 77 J. PAT. & TRADEMARK OFF. SOC'Y 339 (1995).

[54] *Id.* at 341.

[55] *Id.* at 344.

2. Updating The Best Mode

The question of whether the best mode has to be updated when filing a sequence of applications that involves a section 111(b) provisional application followed by a section 111(a) application should be no different from a sequence of one section 111(a) application followed by another section 111(a) application. In *Transco Products, Inc. v. Performance Contracting, Inc.*,[46] the U.S. Court of Appeals for the Federal Circuit held that there was no requirement to update the best mode when filing a continuing application that does not add subject matter that was not present in the parent application. The PTO has indicated that if subject matter is added to a section 111(a) application that was not present in the section 111(b) provisional application, there may be a requirement to update the best mode.[47]

There would appear to be a requirement to update the best mode in situations where an applicant chose to file a series of provisional applications. As noted above, it may be desirable to file a plurality of provisional applications in a period of a year, for example, and claim the benefit of all provisional applications filed within that one-year period in a nonprovisional application. A provisional application is precluded from relying on the filing date of any previously filed application, so each provisional application is a new application not entitled to the benefit of an earlier application regardless of its content. Even if the contents of a series of provisional applications were identical, there would be a requirement to describe and update the best mode at the time each provisional application was filed.

3. Establishing A Date Of Invention

Even though a provisional application does not contain sufficient information to support a claim in a subsequent nonprovisional application, it may contain sufficient information to establish a constructive reduction to practice of at least one embodiment of an invention. This information could

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[46] 38 F.3d 551, 32 U.S.P.Q.2d (BNA) 1077 (Fed. Cir. 1994), *cert. denied*, 115 S. Ct. 1102 (1995).

[47] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,209 (response to comment 40).

First, it prevents applicants from falling into a trap of relying on these procedures where there is no claim present in the provisional application. Because a section 111(a) application requires a claim for a filing date, there is a clear risk to those who wait until the last possible day to file a nonprovisional application and rely on Rule 60, only to discover that they have yet to file an application with a claim and have forever lost the opportunity to establish copendency with the provisional application.

Second, use of Rules 60 and 62 continuing application procedures is based on the use of an application that has been executed by the inventor(s) by filing an appropriate oath or declaration under section 115. It is entirely likely that a provisional application will not be executed by the inventor(s) since no oath or declaration need be filed by the inventor(s) in a provisional application.

Finally, it may be possible to use the Rule 60 or 62 procedures to file a section 111(a) application based on an earlier filed section 111(a) application before a petition is filed to convert the earlier application to a provisional. Although there does not appear to be any provision in the regulations that would prohibit such a procedure, it is clear that the PTO is not in favor of this course of action because of the complications it would cause.[43]

E. *Benefit Of Provisional Application Content*

Even though the correct procedures are followed for claiming benefit of the filing date of a provisional application, any benefit that is obtained will depend on the extent to which some invention is described in the provisional application. The benefit that is achieved may take many forms: (1) supporting a claim in an application subsequently filed in the United States or another country, (2) describing a single embodiment of an invention to establish a constructive reduction to practice of an invention being contested in an interference proceeding, (3) describing an invention or part of an invention to help establish a date of invention earlier than the effective date of a reference under 37 C.F.R. § 1.131, or (4) describing an invention for prior art purposes.

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[43] *Id.* at 20,212 (response to comment 64).

2. Plurality Of Provisional Applications—Benefit Outside The United States

It would be possible to obtain the benefit of a plurality of provisional applications filed within a twelve-month period when filing in a foreign country through national filing or under the Patent Cooperation Treaty. It is very important to understand, however, that the flexibility to claim the benefit of multiple provisional applications filed in the twelve-month period preceding filing of a nonprovisional application has an important Paris Convention limitation for foreign filing.

The period of priority is twelve months from the date of filing the first application. A subsequent application filed in the same country, directed to the same subject matter as the first, may be considered the first application for purposes of this priority period if, at the time of filing the subsequent application, the previous application has been withdrawn, abandoned, or refused without having been laid open to public inspection; does not leave any rights outstanding; and has not yet served as a basis for claiming priority.[40]

This means that if the filing date of the first filed provisional application is not going to be treated as the start of the priority year, then each provisional application up to the one that will be treated as starting the priority year must be abandoned at the time (i.e., not the same day) the provisional application that starts the priority year is filed. The first filed provisional application could be expressly abandoned prior to the filing of the second provisional application to avoid this problem, but more significant problems could arise as a result of forfeiting the earliest provisional application filing date.

Consider the example above with a plurality of provisional applications filed at three month intervals (i.e., July 5, 1995, October 5, 1995, January 5, 1996, April 5, 1996, and July 5, 1996). The applicant could file an application in Japan on July 5, 1996 and claim the benefit of the first four provisional applications. If the applicant waited until October 7, 1996 (October 5, 1996 is a Saturday) to file an application in Japan, the benefit of priority to the provisional applications filed on October 5, 1995 and thereafter would be lost unless the provisional application filed July 5, 1995

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[40] *Id.* art. 4(C)(4).

if an event that is recognized as a section 102(b) bar took place on October 3, 1994, the loss of the July 5, 1995 provisional application filing date would also eliminate any opportunity to obtain a patent in the United States. Maintaining reliance on the July 5, 1995 provisional application filing date would at least preserve the opportunity to establish a date of invention prior to October 3, 1994.

B. *Claiming Benefit Outside The United States*

Under Article 4A of the Paris Convention for the Protection of Industrial Property, an applicant filing a patent application in one country of the Union has a right to priority in all other countries of the Union. This right of priority arises out of "any filing that is equivalent to a regular national filing under the domestic legislation of any country of the Union."[33] The filing of a provisional application with sufficient information to obtain a filing date is a regular national filing because it is a "filing that is adequate to establish the date on which the application was filed."[34] The right of priority prevents an intervening publication from defeating the right to a patent in other countries of the Union, even though it may have been published prior to the filing date of an application in that country.[35]

1. Timing

The period of priority under the Paris Convention is twelve months for patents.[36] It is measured from the date of filing of the first application, and the day of filing is not included in the period. To this extent, the period for claiming priority to a provisional application is the same for both the United States and in foreign countries.

Unlike obtaining priority of a provisional application in the United States, the right of priority under the Paris Convention does not depend on

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[33] Paris Convention, *supra* note 6, art. 4(a)(2).

[34] *Id.* art. 4(A)(3).

[35] *Id.* art. 4B.

[36] Although not important to the current discussion, the period of priority for design patents is six months.

applications has been permitted in reissue,[26] and by way of certificate of correction.[27]

It is curious that the PTO has not required that the filing date be identified in the prescribed reference to the provisional application or that the nonprovisional reference describe the relationship (e.g., continuation or continuation-in-part ("CIP")) to the provisional application.[28] These omitted data elements would provide useful information to examiners, the public, and other members of the patent community regarding a potential effective prior art date of the patent claiming the benefit of a provisional application,[29] timeliness of filing the nonprovisional application,[30] and whether additional information has been added to the nonprovisional application that was not contained in the provisional application. Perhaps the filing date information will be provided by the PTO on the printed patent making reference to a provisional application, but the relationship will have to be determined by an interested party.

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[26] Amendment of intermediate applications to make reference to earlier applications in a chain to preserve the benefit of earlier application filing date was permitted in Sampson v. Commissioner of Patents and Trademarks, 195 U.S.P.Q. (BNA) 136, 137 (D.D.C. 1976). Perfection of a claim to foreign priority under section 119 was permitted in a reissue application in Brenner v. Israel, 400 F.2d 789, 790, 158 U.S.P.Q. (BNA) 584, 585 (D.C. Cir. 1968).

[27] Omission of a reference to an earlier filed U.S. application to obtain section 120 benefit is a mistake of a "minor character" which is correctable by certificate of correction, if the mistake was made in good faith. *In re* Lambrech, 202 U.S.P.Q. (BNA) 620, 622 (Comm'r Pats. 1976). Claim to section 119 priority may be added to a patent issued on a continuing application where the section 119 priority claim had been perfected in a parent application. *In re* Van Esdonk, 187 U.S.P.Q. (BNA) 671, 672 (Comm'r Pats. 1975).

[28] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,202. In discussing the requirements of 37 C.F.R. § 1.78(a)(4), the PTO commentary states that "[t]his section does not require the nonprovisional application to identify the nonprovisional application as a continuation, divisional, or continuation-in-part application of the provisional application."

[29] 35 U.S.C. § 102(e) (1988).

[30] 35 U.S.C.A. § 119(e) (West Supp. 1995).

The language in section 119(e)(1) regarding inventorship is similar to the language used in section 120 regarding obtaining the benefit of an earlier filing date in the United States, i.e., "filed by an inventor or inventors named in the [previous] application." The language in section 120 was amended in 1984[18] to provide that an applicant can obtain the benefit of the filing date of an earlier application when not all inventors in the continuing application are named in the earlier application.[19] The amendment was made at the same time that section 116 was amended to explicitly recognize that joint inventors need not have made a contribution to the subject matter of every claim of the patent.

The need for flexibility in naming inventors in the provisional-nonprovisional application sequence is even more apparent than in the conventional continuing application scenario. It should not be at all surprising that situations will arise where the inventors of the invention claimed in the nonprovisional application, in which an oath prescribed by section 115 must be filed, will not be the same as the inventors of the subject matter described in the provisional application, where no inventor's oath is required.

3. Fee Paid In Provisional Application

In order to claim the benefit of a provisional application under section 119(e), a filing fee must have been paid with the provisional application. The filing fee could be the fee for filing a provisional application,[20] or it could be the fee for filing a nonprovisional application [21] that was filed before conversion to a provisional application as explained below.

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[18] Patent Law Amendments of 1984, Pub. L. No. 98-622, § 104(b), 98 Stat. 3383, 3385 (1984).

[19] Section-by-Section Analysis: Patent Law Amendments of 1984, 130 CONG. REC. H10525, *reprinted in* 1984 U.S.C.C.A.N. 5827, 5835.

[20] Changes to Implement 20-Year Patent Term, *supra* note 9, at 20,221 (to be codified at 37 C.F.R. § 1.16(k)).

[21] For an application filed under 35 U.S.C. § 111(a), the filing fee is set forth in 37 C.F.R. § 1.16(a) (1994).

application.[9] For the purposes of this discussion, a nonprovisional patent application[10] may be either a national application filed under section 111(a) or an international application, designating the United States, filed under the Patent Cooperation Treaty ("PCT").[11]

The conditions necessary for claiming priority of a provisional application relate to the time limits for filing a nonprovisional application, the inventors named in these applications, the fee paid in the provisional application, and a reference to the provisional application in the nonprovisional application. These conditions are necessary for "claiming" priority; however, they may not be sufficient actually to "obtain" the benefit of a provisional application filing date unless other conditions are satisfied.

1. Timing

In order to be entitled to claim the benefit of a provisional application, the nonprovisional application must be filed not later than twelve months from the provisional application filing date,[12] and the provisional application must be pending on the filing date of the nonprovisional application.[13] Although these are separate requirements, they will be simultaneously satisfied in most cases by filing a nonprovisional application on the last day of the twelve-month period starting on the filing date of the provisional application. But what if the last day of the twelve-

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[9] 35 U.S.C.A. § 172 (West Supp. 1995); Changes to Implement 20-Year Patent Term and Provisional Applications, 60 Fed. Reg. 20,195, 20,223 (1995) (to be codified at 37 C.F.R. § 1.53(b)(2)(iii)) [hereinafter Changes to Implement 20-Year Patent Term].

[10] The PTO has defined a nonprovisional application in 37 C.F.R. § 1.9(a)(3) as a national application filed under 35 U.S.C. § 111(a) or an international application which entered the national stage under 35 U.S.C. § 371. *Id.* at 20,220-21 (to be codified at 37 C.F.R. § 1.9(a)(3)). The definition adopted for this paper does not presuppose that the national stage has been entered. In fact, certain benefits may arise by avoiding entry into the national stage.

[11] Patent Cooperation Treaty, June 19, 1970, 28 U.S.T. 7645, 1160 U.N.T.S. 231 [hereinafter Patent Cooperation Treaty].

[12] 35 U.S.C.A. § 119(e)(1) (West Supp. 1995).

[13] 35 U.S.C.A. § 119(e)(2) (West Supp. 1995).

because of Article 4*bis*(5) of the Paris Convention, the filing date could not be based on a foreign priority application.[6]

The twenty-year patent term, as adopted in the URAA, implemented the obligation of the United States under GATT/TRIPS, while limiting the ability and incentive for some patent applicants to keep applications pending in the U.S. Patent and Trademark Office ("PTO") for extraordinary periods of time. The patent term adopted for patents that will issue on applications filed on or after June 8, 1995, will expire twenty years from the filing date of an application for patent in the United States, subject to the payment of appropriate maintenance fees.[7]

Unless some mechanism was provided to permit a U.S. inventor to file a patent application in the United States without starting the twenty-year clock, an inventor in the Republic of Korea, for example, could obtain a U.S. patent that would expire twenty-one years after first filing a patent application (i.e., in Korea), yet the U.S. patent to a U.S. inventor would expire twenty years after first filing a patent application (i.e., in the United States). This one year difference can be significant for patents that have high commercial value at the end of the patent term, such as pharmaceuticals or pioneering inventions in other technologies.

Countries faced with the prospect of similar discrimination against domestic inventors have adopted a domestic or internal priority system. These domestic priority systems level the playing field by permitting the inventor to file a priority patent application in the inventor's country without the priority filing being recognized for patent term calculation purposes.

Under the URAA, Congress has provided for a domestic priority system in the United States that permits an applicant to file a provisional application without starting the twenty-year patent term clock. As mentioned in the Statement of Administrative Action ("SAA"), the domestic

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[6] Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention]. Article 4*bis*(5) provides: "Patents obtained with the benefit of priority shall, in the various countries of the Union, have a duration equal to that which they would have, had they been applied for or granted without the benefit of priority." *Id.* art. 4*bis*(5).

[7] 35 U.S.C.A. § 154(a)(2) (West Supp. 1995).

III. REQUIREMENTS FOR FILING A PROVISIONAL APPLICATION 280
A. *Filing Date Requirements* 280
1. Specification 281
2. Drawing 282
3. Inventor(s) 283
4. Indication That Provisional Application Is Intended 285
5. PTO Processing 285
B. *Additional Requirements For Complete Provisional Application* 287
1. Fees 287
2. Cover Sheet 287
3. English Language 288
IV. REVIVING A PROVISIONAL APPLICATION 288
V. DIFFERENCES FROM OTHER PATENT APPLICATIONS 290
A. *A Claim Is Not Required* 290
B. *Oath/Declaration Is Not Required* 292
C. *No Examination To Determine Patentability* 292
D. *Access To Provisional Application* 293
E. *Other Differences* 294
VI. CONVERSION TO A PROVISIONAL APPLICATION 295
VII. ADVANTAGES OF A PROVISIONAL APPLICATION 296
A. *Twenty-Year Patent Term* 296
B. *Deferred Examination For About Twelve Months* 297
C. *Prior Art Effect Date* 298
D. *Constructive Reduction To Practice In The United States* .. 299
E. *Grace Period—Setting Section 102(b) Date* 300
F. *Protecting Absolute Novelty Worldwide* 301
VIII. FILING STRATEGIES 301
A. *U.S. Inventor* 302
1. Emergency Filing 302
2. Prompt Filing 303
3. Normal Filing 304
4. Conversion Filing 304
B. *Non-U.S. Inventor* 305
C. *PCT Combined With Provisional Application* 306
IX. CONCLUSION 307

of relief. The patent law section concludes with an article by Bryan A. Schwartz which examines the long-term future of Section 337 as a result of these changes and developments in federal and ITC case law.

The final two articles explore, respectively, the trademark and copyright implications of these international agreements. Louis T. Pirkey and William G. Barber broaden their analysis and discuss changes made to U.S. trademark law and practice as a result of four treaties—GATT, NAFTA, the Trademark Treaty Law, and the Madrid Protocol. This issue concludes with an article by Doris E. Long exploring the history of the Uruguay Round negotiations of TRIPS and examining the provisions of TRIPS which concern the protection of copyrightable works.

We believe these articles provide comprehensive insight into the recent international and domestic changes in intellectual property law and hope you will find these articles useful in your practice. As always, the views expressed are solely those of the respective authors and should not be attributed to the American Intellectual Property Law Association or its members.

EDITOR'S NOTE

Pursuant to our policy of disclosing involvement by authors in litigation that is the subject of their article, the following disclosure is made: Messrs. Harry C. Marcus and Mark J. Abate, authors of the article entitled *Design Patent Infringement Put To Sea Without Guiding Charts*, published in the last issue of ths Journal, had been appellate counsel before the Federal Circuit for the defendant/appellant in *Braun Inc. v. Dynamics Corp. of Am.* Their participation in the case had ended prior to the publication of the article.

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