THAT DISCRIMINATORY U.S. PATENT LAW!

(Revised Text)

PIPA NINTH INTERNATIONAL CONGRESS

October 3-6, 1978

Nagoya, Japan

Committee 1 U.S. Group

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I. Introduction

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WATAKUSHI-WA, "AMERICA TOKKYO-HO-WA GAIKOKU-JIN-O SABETSU SHITEIRUKA" NI-TSUITE OHANASHI ITASHIMASU-GA, KOREGA MINASAMA-NO KANSHIN-O YOBI, OTAGAI-NO RIKAI-O FUKAMERU KOTO-GA DEKIRUYOH NOZOMIMASU.

The United States Patent Law has been decried abroad as unfair and discriminatory to foreign applicants. Let us listen by way of illustration to just three foreign commentators, one each from Japan, Germany and Great Britain:

1) "In 1973, the now internationally famous (infamous?!) Kawai...case came as somewhat of a shock to international applicants.... This case has received extensive critical commentary, both in Europe and Japan." (T. Aoyama, "The Hoechst Case - A New Kawai", 59 JPOS 263, 1977).

2) "While one couldn't help but be surprised by Hilmer I...and taken aback by Hilmer II..., Kawai v. Metlesics... and In re McKellin were totally demoralizing and devastating to the foreign applicant...who has become a second class citizen at the hand of these decisions...". (J. Pagenberg, "McKellin", GRUR Int. 1977, 38, 40).

3) "The proposed U.S. patent revision... maintains and increases discrimination against foreigners in a way which can be criticized as economic imperialism." (J. L. Beton, "Scott Bill", CIPA July, 1974, 339, 342).

These are very critical statements, nay, very strong condemnations, indeed.

Even an occasional US author has discerned a dichotomy in treatment. See, for instance, the analysis of "The Hilmer Doctrine" in BNA's PTCJ, (No. 292), 8-26-76, C-1, 3:

> "There exists an ambivalence (an understandable one) in our patent system with respect to domestic versus foreign factors. As parties to the Paris Convention we are obligated to treat foreigners and our own nationals alike. To a considerable extent we do so. Thus, we give an applicant the benefit of his earlier foreign filing date provided the conditions of section 119 are met.
>
> We also accept as legally sufficient 'prior art,' published materials (including issued patents) that appear anywhere in the world (section 102(a) and (b). On the other hand, we distinguish sharply between foreign published materials and foreign activity not involving publication. Thus, 'public use or sale' constitutes prior art only if it occurs in the United States (section 102(a) and (b). Also, an applicant is precluded from relying upon activity occurring in a foreign country to establish his date of invention (section 104).

This kind of expression is understandably much milder.

What is the truth? Are foreign applicants really disadvantaged, and if so, to what extent? Could it be that there are areas where foreign applicants have a distinct advantage? Yes, indeed, as I will show. But nothing much, if anything at all, has been said about any advantage that foreign applicants enjoy, which in some cases represents the other side of the coin. Thus, it is time someone came to the defense of the U.S. Patent Law and tried to set the record straight.

II. Section 104

Section 104 of Title 35 of the U.S. Code, entitled "Invention made abroad", has been criticized abroad as particularly and manifestly unfair and discriminatory against foreign inventors - though not in open disagreement with the Paris Convention - and in fact as the most flagrant of the features which give U.S. inventors an unfair advantage over foreign inventors. Section 104 affects not only the determination of priority between applicants but also all cases where prior invention has to be shown over relevant art.

Section 104 stipulates that

> "In proceedings in the Patent Office and in the courts, an applicant for a patent or a patentee, may not establish a date of invention by reference to knowledge or use or other activity in a foreign country."

There is no denying that Section 104 is discriminatory which is especially evident in comparison to Canada's conflict practice. But for the sake of objectivity and completeness let's illuminate Section 104 and then see whether it cannot be neutralized or even turned into an advantage.

The law in the United States has always been as expressed in Section 104 except in the period between 1939 and 1945 when, due to the Supreme Court decision in Electric Battery Co. v. Shimadzu, 307 U.S. 5, 41 USPQ 155 (1939), foreign data could be used in ex parte prosecution and validity contests but not in interferences. This contradiction was resolved by Congress

by barring such evidence in all cases instead of permitting it in all cases.

As to the issue of discrimination itself the first point to be made is that, as was pointed out in the very first importation case, Thomas v. Reese, 1880 C.D. 12, as well as in Monaco v. Hoffman, 127 USPQ 516 (D.C.D.C. 1960), aff'd 130 USPQ 97 (C.A.D.C. 1961), the statute does not distinguish between citizens of the United States and foreign countries but between inventions made in the United States and other countries. Foreigners living in this country are not subject to Section 104 and U.S. citizens residing abroad are. There are a number of cases where non-governmental U.S. inventors made inventions abroad but the earliest invention dates they could rely on were the days they returned to the U.S. See, for example, General Talking Pictures v. American Tri-Ergon, 36 USPQ 428 (3rd Cir. 1938); Andre v. Daito, 166 USPQ 92 (Bd./Intf. 1969). According to the Thomas case the "law is absolutely impartial as between foreign and domestic applicants", but the impact of the prohibition, no doubt, falls more on foreign inventors than on domestic inventors.

By the way in the Monaco case Montecatini launched a frontal attack on Section 104. Having lost the priority contest in the Patent & Trademark Office because the junior party was able to establish reduction to practice in the United States prior to their Italian filing date, they filed a Section 146 action and took a great deal of testimony on Italy proving still earlier reduction to practice there. However, Judge Holtzoff

ruled against Montecatini while sympathizing with them. He admitted that

> "the present rule originated in the days when the only means of travel between continents was by sailing ships, and the sole means of communication was by slow mail. Conceivably, under those conditions an invention made abroad might have never become known in the United States. Today with modern means of travel and communication, information may be transmitted from Europe to the United States as rapidly as from the eastern seaboard to Honolulu and Alaska." Id. at 522.

He continued that it could be argued that with the "great increase in the volume of travel between countries, as well as the constant utilization of new means of communication", the reason for the rule no longer exists and the Presidential Commission on the Patent System, in the mid 1960's, came to the same conclusion and recommended that Section 104 be scrapped and in fact it was left out of the early patent revision bills but subsequently put back in under (perhaps misguided) pressure from industry. Query: Is Section 104 unconstitutional?

Actually, the point may be made as an aside that if there is discrimination in U.S. interference practice it is against the junior party whether he be a domestic or a foreign party. As a practical matter a foreign applicant who with an earlier foreign filing date becomes senior party can often sit back and win hands down while the domestic party unsuccessfully labors for weeks taking testimony at great expense. A case in point is Archer v. Freter et al., 166 USPQ 322 (CCPA 1970), wherein Freter et al.,

simply relied on their German priority date and did not even write briefs nor attend the hearing before the CCPA. In fact - and this is the second point to be made - to the extent that foreigners tend to file early according to the practical dictates of their first-to-file systems, they have an advantage vis-a-vis U.S. inventors apart from the possible relevance of the old saw that it is better to be senior party than first inventor.

It should also be recognized in this regard that the proscription against reliance on foreign activity is not a broad and sweeping one. It applies only to an attempt to establish an earlier invention date. Foreign evidence of course can be proffered with respect to all other issues, e.g., derivation, identity or nature of the invention and to some extent also diligence. That is quite clear from a number of decisions, e.g., Nielsen v. Cahill, 133 USPQ 563 (Bd./Intf. 1961) and cases cited therein; Rebuffat v. Crawford, 20 USPQ 321 (CCPA 1936); Wilson v. Sherts, 28 USPQ 379 (CCPA 1936); and this was my third point.

Unless one wanted to say, tongue-in-cheek of course, that nothing prevents foreign inventors from going to the U.S. to make all their important inventions in the U.S. in which case all the privileges U.S. inventors have would be theirs also, the fact remains that foreign activity cannot be resorted to to establish an earlier invention date in the manner U.S. applicants or patentees can. However, as I pointed out at last year's Eighth International Congress of PIPA in Williamsburg and four years ago in 1974 in Tokyo at an AIPPI meeting as well as elsewhere (e.g., in San Diego and Stuttgart in 1971, Toronto 1972, Mexico City

in 1973, London in 1975, spreading the gospel of importation, so to speak), there are ways and means to neutralize Section 104 in a perfectly legitimate manner, namely, by importation of a foreign invention (disclosure as well as embodiment). This is my fourth point which indicates that a foreign inventor's lot is not quite so hopeless. And as was shown by Maurice Stiefel in a lecture ("Winning an Interference for a Foreign Inventor") which he gave at the BNA 1978 Patent Law Conference at Arlington, Va. on Sept. 7, 1978, foreign inventors can by virtue of importation acts turn situations in which they would inexorably loose into situations where they can easily win, e.g. where a U.S. applicant conceived before, but reduced to practice after, a foreign applicant's priority filing but where the foreign applicant sent an invention disclosure or a conception letter to the U.S. before the U.S. applicant's conception date.

In this connection it is also of interest to note, as shown by Clevenger v. Kooi, 190 USPQ 188 (Bd/Intf. 1974) and Scheer v. Kincl, USP 3,390,157, Intf. No. 92,644, that imported disclosures need not be studied and understood by anyone in the U.S. but can simply be filed away on their behalf to collect dust and yet can later be relied on. If these holdings were sound (which I doubt), at least I perceive a small advantage here on the part of foreign inventors inasmuch as I do not think that U.S. inventors can safely engage in such conduct.

As intimated above, Section 104 affects ont only the course and outcome of interferences but also Rule 131 practice and validity determinations and as regards Rule 131 practice and charges of inequity, In re Krank, 169 USPQ 41 (CCPA 1971)

is of interest. In this case appellants, German citizens K and M, complained that under Section 104 they were not permitted to file a Rule 131 affidavit to swear back of a S and K prior art reference. The CCPA, rejecting the unfairness argument, held that there was an alternative to a Rule 131 affidavit under such circumstances, as was shown by In re Land, 151 USPQ 621 (CCPA 1966) and particularly In re Facius, 161 USPQ 294 (CCPA 1969) to the effect that absent a statutory bar one's own invention may not be prior art against oneself. The authors of Patent Law Perspectives therefore concluded that the "edict of Facius has become a welcome mechanism for partially offsetting the too often raised complaint of national discrimination leveled against Title 35 of the U.S. Code." (1971 Dev., A. 3[8]-7).

This then was my fifth point and the next and final point is one that was made by P. J. Federico, one of the foremost scholars and authorities on U.S. patent law, who had this to say:

> "With respect to interferences involving applicants who made the invention in the United States and applicants who made their inventions outside of the United States, it would appear that the latter are at some disadvantage and that this disadvantage would be reflected in the outcome of the interferences. However, a study made of all the interferences instituted over a period of three years which involved foreign and domestic made inventions did not show any material difference, the party who made the invention in a foreign country winning the interference about as often as the party making the invention in the United States...". (P.J. Federico, "Patent Interferences in the United States", 2 IIC, No.1/1971, p. 21, 49-50).

Mr. Federico made another three-months' survey in 1970-1971 and made the same findings Idem at 55. (An update of the Federico study would be highly desirable and worthwhile.)

III. Other Sections, Such As, Sections 102, 112 and 119

A. Section 102(a) and (b)

As regards Section 102 it is not nearly as clear that a complaint of inequitable treatment can be based thereon. On the contrary, there are some very positive aspects and advantages that foreign applicants can derive from Section 102.

As seen from the above quote from BNA's PTCJ in the introductory chapter, Section 102 has a favorable impact on foreign applicants in that activities like public knowledge, public use or sale of the invention do not raise any bars to obtaining valid U.S. patents. P. J. Federico put it this way:

> "As the law stands, the general proposition can be stated that activities in a foreign country (other than printed publications and patents) neither help nor hurt any person who is seeking a United States patent or who has obtained a United States patent. This rule has two impacts on foreign applicants for United States patents. One impact is favorable to their interests since activities like public knowledge, and public use of the invention by themselves, or by others, cannot defeat their right to a United States patent;... on the other hand the impact is unfavorable in that their activities abroad cannot aid them in obtaining a United States patent." (P.J. Federico, "Patent Interferences in the United States, 2 IIC, No. 1/1971, p. 21, 49.)

Foreign inventors, thus, can obtain patents where U.S. inventors no longer could (i.e. after grace period ran out) and, in fact, would be able to obtain U.S. patents in situations, which are not far-fetched at all, where they no longer could obtain

home-country patents. See In re LaGrice, 133 USPQ 365 (1961), where the subject matter had been on sale in England by applicant for 5 or 6 years before his U.S. filing.

B. Section 102(g)

This section must be brought up next as a clear instance of an advantage that foreign applicants enjoy. It stipulates that a person shall be 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..." Since the CCPA decision of In re Bass, 177 USPQ 178 (1973), the patent bar sorely appreciates that this section not only is the basis for interference proceedings but also serves as a patent-defeating provision and has an insidious impact on corporate and institutional research. However, the Bass rule simply does not affect inventions made abroad and foreign inventors can get patents on minor improvements where domestic inventors cannot. This point about foreign inventors being advantaged by the Bass rule is, of course, based on the fact that Section 102(g) refers specifically to an "invention... made in this country by another". In other words, only an invention made in this country can be considered as of anticipatory relevance under Section 102(g) to somebody else's invention. This is perfectly consistent with Section 104 which also precludes reliance on foreign inventions, that is, inventions made abroad.

Because of this specific "in this country" limitation in Section 102(g), no one would ever be able to defend or defeat patentability or validity by reference to an earlier invention made abroad. Thus, unlike with respect to U.S. inventions, an invention made abroad can have relevance in the U.S. only by way of publication, patenting abroad or filing in the U.S. with or without priority.

Therefore, it would also be completely immaterial, unlike in the U.S., if members of a reserach team made related inventions abroad at different times, some of which were not patented and some of which were made the subject of U.S. applications. In the U.S. even those inventions by coworkers that were not covered by applications may be valid prior art under Section 102(g) with respect to the later inventions which are covered by patent applications.

C. Section 112

This section is not discriminatory per se like Section 104. Section 112 applies across the board to U.S. as well as foreign applicants. It is said to be inequitable in practice, however, by virtue of its stringent enablement and best-mode disclosure requirements, the latter of which constitutes probably the greatest departure from other patent systems.

Section 112 would be unfair to foreign applicants and in practice more difficult to them inasmuch as U.S. standards are imposed on them in their own countries, i.e., their own national applications have to be written, not as they might otherwise be written under applicable local principles and

rules, but as though they were U.S. applications ab initio. This follows from the fact that Section 112 is intertwined with Section 119 by virtue of such decision as, e.g., Kawai v. Metlesics, 178 USPQ 158 (CCPA 1973), which held that a foreign patent application must contain a disclosure of an invention adequate to satisfy the requirements of the first paragraph of Section 112 if a later filed United States application claiming that invention is to be accorded the benefit of the filing date of the foreign application as allowed by Section 119.

U.S. treatment of foreigners in this area is supposed to violate the Paris Convention. See Wegner and Pagenberg, "Paris Convention: A Unique American Viewpoint Denying 'The Same Effect' to the Foreign Filing", 5 IIC, No. 4/1974, 361, which covers this whole problem area very thoroughly. Cf. Schwaab and Altenburg, "Disclosure Requirements for a U.S. Patent Application", Communications of the German Patent Attorneys, January 1975, p. 1.

Here I am somewhat on the defensive and at a loss to point to advantages for foreigners. The only advise here is that foreign applicants will have to learn, if they haven't already, to live with this practice until legislation changes it for which however there does not seem to be an immediate prospect. Foreign inventors who do file corresponding applications in the U.S. are a knowledgeable and sophisticated breed, as are their foreign and U.S. patent advisors and counsels, who no doubt can cope with these intensified disclosure requirements. (Query: Was the 1977 Tokyo High Court decision in Hoechst v. Director of the Patent Office sort of retaliatory? T. Aoyama who was quoted in the Introduction intimated as much himself.)

In this connection it should be pointed out that there is a particular hue and cry abroad also about the so-called Hilmer Doctrine as developed by the CCPA in Hilmer I (149 USPQ 480, 1966), Hilmer II (165 USPQ 255, 1970) and In re McKellin (188 USPQ 428, 1976). This doctrine permits domestic applicants who lose(!) an interference with a foreign applicant to obtain coverage for closely related and obvious subject matter, the foreign applicant's disclosure being effective as a reference as of its U.S., not foreign, filing date. This doctrine supposedly opens up new opportunities for a domestic party who loses an interference involving an application or patent of foreign origin. This problem area is difficult and intricate but has been thoroughly explored and discussed, in the above-mentioned BNA analysis and GRUR Int. 1977 and 5 IIC 1974 articles. Suffice it to point out here that any problem that arises here pertains of course only to non-common subject matter and arises only if and when a foreign applicant wins, yes wins, an interference with a domestic applicant.

I am not sure it is objective to get excited about a situation where the foreign applicant prevailed in the interference and obtained the coverage on the common subject matter which he sought. So what if the U.S. applicant can eke out claims on any residual peripheral subject matter that he had disclosed in his application. Besides as I discussed in "Patent Practice Interference", Course Handbook Series No. 91, Practicing Law Institute, New York, 1978, p. 169, the U.S. applicant will have a rough time in the Patent & Trademark Office (PTO) when he tries to obtain any such residual coverage. "(T)he PTO will fight a

good fight before granting such claims. They will try to distinguish and construe narrowly any of the cases (one) might rely on." (Ibidem).

IV. Some Additional Miscellaneous Points

A. The matter of inventorship designation and inventorship correction might also be brought up in this connection. As a general rule foreign applicants file U.S. applications based on foreign priority applications with identical inventorship. Following this practice, they often either get invalid U.S. patents if they put on too many coinventors or create problems for themselves in the priority countries if they put on too few inventors, which may be particularly true in Japan. If the foreign priority application is filed in the names of only those individuals who are true coinventors under the strict U.S. rules, foreign applicants have a legitimate complaint, on the one hand. Why should strict U.S. standards based on a U.S. peculiarity have to be followed in countries like Japan, Germany, Switzerland? Besides, since it is very difficult for U.S. practitioners to sort out inventorship when several coworkers contributed to an invention, it would be next to impossible for foreign practitioners to do this in their own countries.

On the other hand, however, you may recall that at the Seventh International Congress of PIPA at Hakone two years ago I gave a talk on how to live with inventorship discrepancies between foreign priority applications and subsequent corresponding U.S. applications. I pointed out that this wasn't bad and that, if

challenged by the PTO, discrepant inventorship could be faced up to, explained away and thus taken care of. Another and perhaps easier but less satisfactory alternative is to convert inventorship in the foreign application or patent. Apparently this is readily accomplished, see Schmitt et al v. Babcock et al, 153 USPQ 719 (CCPA 1967), and this is why Mr. W. A. Modance, ex-Chairman of the Board of Interferences, thinks that in this area foreigners have an advantage and U.S. residents are disadvantaged. At a "Modern Interference Practice Panel", held in Cincinnati, September 25, 1975, he put it this way:

> "In the United States you can change the inventors in a patent application by indicating that you had used diligence and have justification for wanting the change. You have to present the facts. (In affidavits.) But if you base your application on a foreign priority application and it has two inventors, you can take one out by stroke of the pen. The foreign Patent Office will often accept that and the United States Patent Office including the CCPA, will say it's perfectly alright. Never mind that it should be treated like a U.S. application, they're not going to do it."
> (Transcript of Proceedings, p. 3).

A further possible advantage on the part of foreigners might emanate from the recent startling D.C. Court of Appeals decision, Stoddard & Co. v. Dann, 195 USPQ 97 (1977), which involved foreign applications/patents and which permitted conversion from one sole inventor to another sole inventor under circumstances which as a practical matter will probably redound more to the benefit of foreign inventors than U.S. inventors for it is difficult to see how U.S. inventors and

patent practitioners could rely on ignorance of the language and the law and get away with it as ingenuously as the foreign party was able to do in the Stoddard case.

B. Foreign inventors unlike domestic inventors do not only not encounter problems with use or sale or knowledge abroad, no matter how extensive or how long, nor with coworkers' prior closely related work, as pointed out above, but also they do not run into forfeiture problems. As you may know, it has been held, by at least two courts in Levinson v. Nordskog, 163 USPQ 52 (D.C.C.D. Cal. 1969), and Advanced Hydraulics Inc. v. Otis Elevator Co., 186 USPQ 1 (7th Cir. 1975) - which saw no need to resort to any statutory provision for doing so - that an inventor forfeited his right to a valid patent if he waited 5 1/2 or 6 years, respectively after reducing his invention to practice before he filed. Again, this forfeiture pitfall obviously need not concern and does not apply to foreign inventors.

Conclusion

When all this is taken into account objectively and dispassionately, foreign inventors need not despair for their lot is not as bad as it has been made out to be. I do not know exactly how this tips the scales but I surmise it is about "even Steven".

Goseicho Arigato Gozaimashita!

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