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FILE COPY

January 18, 1991 VIA UPS Next Day

Steven Seckler, Esq.
Massachusetts Continuing Legal Education, Inc.
20 West Street
Boston, MA 02111

Re: 2/7/91 Seminar: Advanced Topics in Intellectual Property

Dear Steve:

I am enclosing the "ribbon copy" of my outline dealing with international harmonization.

Please note I have enclosed the "original" attachment to my outline for reduction per your guidelines.

Also enclosed is a short biography.

If you need any further information, please let me know.

Best regards.

Very sincerely,

Karl

Karl F. Jorda

KFJ/Ruh/Enc

INTERNATIONAL HARMONIZATION

CONSENSUS OR COERCION? HOW SOON? HOW MUCH CHANGE? WHAT PRACTICAL EFFECTS?

Karl F. Jorda
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Concord, NH

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Introduction

Harmonization is on everybody's lips; it is in the air. Is harmonization coming; is it an idea whose time has come? Are the harmonization efforts gaining momentum and is the trend towards harmonization irreversible?

In approaching the subject of international harmonization, we should keep in mind at the outset that there has been a phenomenal growth in international trade which has led to a close interrelationship of economies. In fact, we have a monolithic world market. As Mr. William L. Keefauver put it: "Globalization is a rapidly increasing trend and we are becoming less tolerant of differences." (Address at PIPA Meeting, New York, 5/9/89) Indeed, we live in a "global village" and an age of the "stateless corporation."

Harmonization, of course, is bringing into harmony, into accord, into agreement and harmonization in the field of patents and intellectual property rights includes harmonization of procedures as well as harmonization of legislation.

Dr. Johannes Van Benthem, the former President of the European Patent Office (EPO), after living through the European harmonization process, suggested that it would be easier to approach harmonization as a three-step process, as follows: 1.) data bases, classification, searches, 2.) procedural aspects and 3.) substantive matters and that only after enough momentum has been gathered in one stage should the next stage be entered. That's easier said than done.

Patent law harmonization has been the subject of serious discussions for years now among the U.S. and other countries, including Japan and the major European countries. Harmonization as presently pursued in these negotiations would entail changes in the substantive patent laws of each participating country to confirm with the agreed upon harmonized model. The most visible harmonization discussions are taking place at a series of meetings of a "Committee of Experts" convened by the World Intellectual Property Organization (WIPO) for the purpose of developing a harmonization treaty. Separately, officials from the U.S., Japanese and European patent offices have been discussing harmonization as part of their "trilateral" negotiations.

Efforts to bring about international harmonization in the field of patents is nothing that is particularly new. It started with the Paris Convention (1883) and has been with us for over 100 years and by now has reached a frantic pace and truly global proportions. A review of some history and geography may be helpful to see what has been achieved so far and what the future possibilities are.

Paris Convention

The principal object of the Paris Convention was essentially not so much one of harmonization, but to allow access to the independent national patent systems by nationals of any country of the Paris Union. To this end the principles of national treatment (Article 2) and recognition of priority rights (Article 4) were established. However, together with these provisions the convention also contained from the very beginning some harmonization provisions, namely, provisions preventing the forfeiture of a patent on importation of the patented product (Article 5) and provisions covering the exhibition of inventions (Article 11) as well as certain procedural provisions.

Over the years and up until the Lisbon Revision Conference in 1958 a series of Revision Conferences were held and a number of additional harmonizing provisions were added to the Paris Convention. Unfortunately, all subsequent revision efforts stalled due to the division of the world in three political blocks with apparently irreconcilable differences.

Under these circumstances, attempts at harmonization in the patent arena shifted from the world level to regional levels, in particular, to Western Europe, as is well known. There were several Strasbourg Conventions during the '50's and '60's culminating in 1973 in the European Patent Convention. 1975 also saw the conclusion of the Community Patent Convention which regrettably never entered into force but which may see the day of light by 1992 — in the wake of "Europe '92."

This harmonization in Europe not only kept the idea of harmonization alive but led to a revitalization of harmonization on a more global basis and the European Patent System started to serve as a model.

Countries that have adopted new patent laws in recent years, e.g. China, Indonesia, Malaysia and Thailand or countries that have changed their patent laws, e.g. Canada, South Korea, Vietnam or are in the process of changing their patent laws, e.g. East European countries, Latin American countries, Philippines, Soviet Union and Outer Mongolia, have all looked for guidance to the European Patent System and the WIPO model law that had been draw up by WIPO for developing countries. There is no country that has deliberately followed in our footsteps in enacting or adapting patent systems so that the U.S. is now truly the "odd man out."

Patent Cooperation Treaty

The Patent Cooperation Treaty (PCT) is the next

significant milestone on the road to harmonization. It was developed between 1968 and 1970 under WIPO auspices. It is based on the concept that, due to the widespread acceptance of the concept of worldwide novelty, it is possible, despite the continuing differences of national patent laws, to entrust a centralized international authority with the carrying out of prior art searches on behalf of several national offices. This not only avoids unnecessary double or multiple work, but also guarantees a certain quality of the search, which perhaps the smaller patent offices cannot achieve due to lack of documentation or skilled staff.

The Hague Convention of 1947, which laid the cornerstone for the International Patent Institute which today is an integral part of the EPO, embodied this notion first. The PCT carried this general concept further due to additional harmonizing elements except that, for political reasons, it was not possible to concentrate searches at a single authority. Instead the work was split up among a few authorities with international status, which satisfied the minimum requirements laid down by the PCT to ensure an internationally acceptable search quality. Thus, the PCT provided for several International Searching Authorities under its Chapter I, and International Preliminary Examining Authorities under Chapter II.

<u>European Patent Convention</u>

The European Patent Convention started, since its

entry into force, an unprecedented process of voluntary harmonization of national patent laws not only in the Contracting States to the Convention, but also in some other countries of Northern and Western Europe and this process of harmonization has not, however, been confined to Europe; its effects can be seen outside Europe, too. Parallel to these European efforts at harmonization, and in close cooperation with them, not only the PCT but also the model law for developing countries were drawn up within the framework and the efforts of WIPO. Both these cases demonstrate that the concepts developed in Europe, at least as far as the formal requirements and patentability criteria were concerned, were applicable at an international level. The reason for the high degree of international acceptance of these European norms is probably due to the fact that the norms were themselves the product of many years of difficult negotiations among the European States, during which these States had to give up their historically-based national particularities in favor of a modern practice-oriented common solution.

Turning to the U.S., we note that the U.S. has been engaged in international patent law talks for a number of years and on a number of fronts. The scope of those discussions has ranged from bilateral sessions with a number of countries to trilateral talks with the EPO and the Japanese Patent Office (JPO) to ongoing treaty negotiations in WIPO in Geneva.

Trilateral Discussions

The Trilateral activity began with an effort to harmonize plans and procedures being developed to automate the operations of these respective offices. After all, about 90% of all applications worldwide are being processed in the USPTO, the JPO and the EPO.

More recently, those discussions have expanded to numerous topics — some substantive — and the 13 member states of the European Patent Convention had to be added because the EPO did not have authority to speak for the member states about issues that would require changes in their national law or in the Convention. The larger group, called the "Club of 15," decided at their first meeting late in '88, not only to analyze areas in which the laws and practices of the members of the Club of 15 might be harmonized but also to coordinate the positions the countries would take in the WIPO harmonization discussions .

The idea in the Club of 15 is to provide a forum for very frank discussions between countries with somewhat common problems. The hope is to come up with an overall approach for harmonizing the patent laws to sharpen issues for the WIPO discussions.

WIPO Harmonization Treaty Negotiations

Until GATT came into the picture in the last few

years, WIPO was the focus of most efforts to improve national laws dealing with patents and other forms of intellectual property. Paris Convention Revision talks had reached a stalemate, as I pointed out above, and WIPO proposed in 1983 that a Treaty on the Harmonization of Certain Provisions in Laws for the Protection of Inventions be negotiated and drafted. Meetings of a so-called Committee of Experts started in Geneva in 1984, were continued on an annual basis in 1985 and 1986 and thereafter, i.e., from 1987 through 1990, on a twice-a-year basis. A total of eleven meetings have been held and WIPO is now ready to proceed to a "Diplomatic Conference for the Conclusion of a Treaty Supplementing the Paris Convention as Far as Patents are Concerned." This Conference, which WIPO had hoped — based on significant progress in the early meetings — could be held as early as 1989, is now scheduled for The Hague, June 3 to 28, 1991.

This draft Treaty now comprises almost 40 articles, some of which include rules. The topics covered range from mundane matters such as the details for naming an inventor in a patent application to fundamental matters for protecting inventions such as the kinds of inventions which must be protected, the term of protection and the scope of protection that must be provided, and the basis on which countries must determine which of two or more rival applicants will be granted a patent.

In the treaty negotiations, the U.S. has argued for a number of proposals that would facilitate obtaining meaningful patent protection around the world. One

of these is a provision establishing an international grace period to prevent certain disclosures of an invention within a certain period prior to the filing of the first application from making the invention unpatentable. The draft Treaty, if adopted, also would require that countries grant product and process patents in all fields of technology, would provide for a reasonable scope of claim interpretation in issued patents, and would permit filing patent applications in the language of the applicant.

Heated Debates in Geneva

I had the opportunity myself to attend several treaty negotiation sessions in Geneva over the years as a Non-governmental Observer (NGO) representing either the Pacific Industrial Property Association (PIPA) or the N.Y. Patent, Trademark, Copyright Law Association (NYPTC). It was a most interesting experience.

With over 50 countries and organizations in attendance, deliberations often became debates and debates often became heated. On many issues representatives were extolling their countries' laws and practices as though they were saying we are all in favor of harmonization as long as our system is adopted or as long as we don't have to change our system. Perhaps a natural reaction but not very constructive nor very statesmanlike! Sometimes it appeared that many countries wanted to hang on to most of their national practices, but to have the U.S.

change many of its practices. Also quite natural, given the U.S.'s status as "odd man out."

Several times the Director General, Dr. Bogsch, reacted with a touch of impatience if not irritation: "There was no such thing as a new (harmonization) treaty under which somebody would not need to change its practices." He urged the Experts to argue issues on the merits, not on national law and added: "We can't preserve national laws as they are; they must change. Sovereign rights are fine, but if you have a treaty they have to be limited."

With all the haggling and jockeying that was going on and all the reservations made to this or that proposal or provision, it was difficult to see how a harmonization treaty would or could ever see the light of day but nevertheless a lot of progress was always made.

When the WIPO Treaty negotiations started the USPTO prepared a table (see attachment) with a juxtaposition in three columns of 18 features of the U.S., EPC and Japanese Systems and in a fourth column the Proposed Harmonization.

Necessary Changes in U.S. Patent Law

By now, the whole matter has become quite controversial. A number of changes would have to be made to U.S. patent law if it chooses to adhere to the Treaty when it is completed. First and foremost, the U.S. would have to change to a first-to-file system for determining which of two or more

competing applicants is entitled to a patent for a particular invention.

Another provision would require that we change the term of protection our law provides from 17 years from the date a patent issues to 20 years from the filing date of the application. We would also have to change the manner in which we treat the patent defeating effect of patent applications and patents. Currently, we use the filing date of a U.S. patent application, even when it is based on a foreign application, to determine whether an invention in a subsequently filed U.S. patent application is novel and non-obvious. If we adopt the treaty, we will use the filling date of the foreign application on which a U.S. application is based — the priority date — to determine novelty of an invention of a subsequently filedd U.S. application, provided the earlier filed U.S. application is subsequently published. After publication of the earlier filed U.S. application, we will use the publication date to determine obviousness of the invention in the subsequently filed U.S. application.

While the first-to-invent system is fairest the question is whether the legal superstructure necessary to implement it is worth the effort, given the fact that less than 1% of all applications get involved in interferences and more than 70% of all interferences are decided in favor of senior party, the party first-to-file.

GATT Initiatives — TRIPS

While the WIPO discussions have focused on patent law harmonization directed toward a new international treaty under the Paris Convention, the U.S. has also been engaged in international talks aimed at improving patent laws around the globe through the General Agreement on Tariffs and Trade (GATT) via an agreement on certain Trade-Related Aspects of Intellectual Property Rights (TRIPS).

The TRIPS negotiations had their origina in the realization that not enough progress was being made in the forum of WIPO and that WIPO was not in a position to do anything about the growing problem of piracy and counterfeiting in terms of enforcement of intellectual property rights.

The purpose of these negotiations was setting minimum standards for patent protection rather than harmonizing patent laws. However, some standards, such as the proposed 20-year patent term, overlaps with harmonization negotiations. Also there has been a more general shift during the last year or so towards harmonization. This raised questions as to whether the apparent shift away from minimum standards to harmonization makes sense and whether GATT is the appropriate forum for accomplishing harmonization.

Volumes have been written about the GATT/TRIPS negotiations but as everybody knows they fell apart last December. There was an indication at one point last fall that the TRIPS could be pursued and brought

to a successful conclusion via separate protocols, but that is also up in the air.

The Balanced Package

At the fourth meeting of the Committee of Experts (March 1987), the then U.S. Commissioner of Patents and Trademarks Mr. Donald Quigg, made the "electrifying" announcement that the U.S. would be willing to change its practice of granting a patent to the first person filing an application "as part of a balanced package of improved protection standards internationally." The package of changes should include at least:

(1.) A grace period for disclosures of an invention which would permit an inventor to disclose or publish his invention prior to the filing of an application, while not jeopardizing his right to a patent.

(2.) An adequate term of patent protection, i.e., a 20-year term, starting from the time an application for a patent is filed.

(3.) The availability of a product patent for all technological fields, including chemical and pharmaceutical products, foodstuffs, and the whole field of biotechnology.

The quid pro quo in the "balanced package" has been increased considerably since March 1987 and as can be seen from the most recent proposal of a patent

harmonization treaty resolution considered in Committee No. 102 of the ABA-PTC Section the list of demands has grown to at least eight, to wit:

PROPOSED RESOLUTION 102-1-PATENT HARMONIZATION TREATY.

RESOLVED, that the Section of Patent, Trademark and Copyright Law favors, in principle, an amendment of the U.S. Patent laws to provide that, except in cases of derivation, the first-to-file a patent among rival applicants for the same invention is the applicant entitled to a patent, provided that the foregoing be part of a harmonization package wherein all countries agree to incorporate and maintain, in their patent systems, provisions, ensuring: (1.) patentability of inventions in all fields of technology; (2.) a patent term of at least 20 years from domestic filing; (3.) a minimum one year grace period measured from the filing date or the priority date, if earlier, in regard to acts of inventors, their assignees and derivers; (4.) a search report within 18 months of filing and examination within 36 months of filing; (5.) elimination of pre-grant opposition; (6.) a scope of protection determined by the patent claims as interpreted in the light of the description and drawings, and by equivalents; (7.) a right to prevent others from making, using or selling the patented invention, and from

contributing to or inducing infringement of the patent, with no exception based on private and non-commercial use, scientific research or medical use; and (8.) the availability of actual damages, but not less than a reasonable royalty, for infringement of a patent or use of a later patented invention claimed in a published application; and provided that such treaty not require the U.S. to make other substantive changes to its patent laws.

The European view regarding the matter of the "balanced package" is interesting and goes as follows:

> "A communication from the top management of the USPTO at a meeting with an (European) delegation in November 1988 says that 85 to 90 % of US industry now wants the first-to-file system. The figure arrived at by attorneys in private practice is in the range of 45 to 50 %, but with a long transition period. It therefore seems that the majority of the interested circles in the USA, even irrespective of the Harmonization Treaty, wish to change over to the first-to-file system. The warnings of the US delegation (about the requisite "balanced package") therefore appear to be prompted largely by tactical considerations so as to extract as much as possible from the items that are important to it." (F.A. Jenny, Harmonization of Patent Law, Presentation at CIBA-GEIGY Patent Group

Seminar, Atlanta, GA 4/3/89)

Advantages, Disadvantages

The desirability of international harmonization of patent protection is no longer open to doubt. Adoption of the proposed harmonization treaty would expand international protection of inventions and make patent rights more predictable as well as simplify the patent application process and enable applicants to avoid traps and pitfalls in foreign filing and thus cut the costs of obtaining patent protection. The inconsistency and nonpredictability of the world's diverse system can be frustrating to applicants and practitioners alike.

Indeed, a worldwide harmonized patent system or a unified international approach to the protection of intellectual property would be a boon to innovation, technology transfer and technological progress. Harmonization is the manifest answer: harmonization of the laws, harmonization of the examination process and harmonization in enforcement. One application filed in any participating country. One patent enforceable in any participating country. Just imagine the potential savings to applicants as well as to patent offices!

The so-called "Little Man from Little Rock," it is maintained by some, does not do any foreign filing and does not care about harmonization. I submit that the reason he does not file abroad is that it's too complicated and too costly as matters stand now.

The U.S. is a huge market and in the past U.S. companies have had no problem in developing products by limiting their market to the U.S. They did not have to worry about an overseas market to be profitable and did not need foreign patent protection.

Harmonization will make foreign patent protection easier to get and will raise the standard or level of protection in many countries. Strong patent protection is important to spurring development and is important to U.S. business being able to compete fairly.

The harmonization effort is very ambitious and will mean dramatic changes in U.S. patent law and in foreign patent laws and it will probably represent, if it comes about, one of the biggest changes in the history of our patent system.

But the tradeoffs may be worthwhile.

From another perspective, harmonization of patent laws, is almost indispensable. The USPTO's estimates of the increase in filings of patent applications during the '90's is "frightening," according to Mr. Donald Quigg. "If the increases continue, filings in the U.S. along could reach an annual rate of 500,000 by the turn of the century." (Address before ABA-PTC Section, Honolulu, 8/5/89) The JPO and EPO are in a similar fix. According to Mr. Quigg, harmonization is a big part of the answer.

Some balanced comments recently made by the immediate Past President of AIPLA, Mr. William Thompson, are worth pondering.

> "I think things are changing and I think we need to look to harmonization as the system of the future. The changes that I see are principally coming from the trade area."
>
> .....
>
> "...each time we ask for one of these modernizations or reforms in the foreign sector, a price is asked of us. And the price that's always at the top of the list is the first to file system. The Japanese have already put that in their response to us on the bi-national negotiations. And the fact is that if we have to give it for some concessions in these areas, then we might as well take the whole harmonization enchilada because all the rest is beneficial."
>
> .....
>
> When I think of these...trade trends, which is essentially to make national borders more and more transparent in the years ahead, I am also mindful that markets outside the U.S. are becoming, relatively speaking, more important. The great success of Japan as an industrial export economy has created great wealth in that country and now they are a very attractive consumer market, places where we should sell things. Glasnost has opened up countries that we wrote off since World War II and they all

are potential markets. The common market intends to become a reality by 1991. And the very smallest industry in this country should be internationally minded as the largest."

.....

"The way to respond to this international market, I think, is to have a uniform system. If we lose patent rights to somebody else, that's a problem and it very well could be an unavoidable problem. But if we win in the United States and lose in Europe, we've got a problem which we judge to be of the same magnitude as if we lost everywhere and that's avoidable. If we had harmonized results, we could win or lose everywhere and we'd prefer that solution than a mixed result in what is really becoming a monolithic world market. Consequently, I think a harmonized system is a system for the 21st Century and one that we should get on about.

Now I don't want to be insensitive to the first to invent forces. I know they're very sincere and they want the true inventor to win; I sympathize with that. And if they could get the rest of the world to buy onto the first inventor system so that we could beat harmonization, I think that would be great, but it just happens to be too late. The trend is represented by Canada swinging over and we are really isolated on that

today. So I think we have to respond to the world evolution towards a monolithic market and the trade forces we have and I think it's time for us to now get on with the process of harmonizing our system." (Thompson, AIPLA Address, October 1989)

Conclusions

When will harmonization come about? When will the proposed WIPO treaty be signed and adhered to?

As is clear from the above, harmonization is an ongoing process on different levels and different fronts. WIPO has also started work on a Trademark Harmonization Treaty and has already held two negotiation sessions in Geneva. And intellectual property associations, through Liaison Councils or ad hoc groups, have held periodic meetings with patent offices of other countries.

But changes in our systems as well as in patent systems of other countries are being made unilaterally all the time. In the U.S. a process patent infringement law was passed as well as other desirable patent legislation. Japan now has multiple claims practice and the definition of prior art no longer includes a 5-year limitation. A number of other countries have enacted new and others have modernized or are modernizing their patent laws.

Mr. Don Quigg predicted at a recent ACPC meeting : "Within about 5 years." Our present Commissioner of Patents and Trademarks, Mr. Harry Manbeck does not see a consensus developing for a switch and does not make predictions. My crystal ball indicates 5 to10 years. So it will take a few years and then there will be transition provisions adding another period of 5 to 10 years.

Be that as it may, harmonization is coming! It is an idea whose time has come! It is intrinsically logical and intrinsic logic always prevails in the end!

KFJ/Ruh/1.18.91

U.S. System	EPC System	Japanese System	Proposed Harmonization
1. First to invent system (104 restrictions on foreign invention date)	1. First to file system	1. First to file system	1. First to file (m
2. No assignee filing	2. Assignee filing	2. Assignee filing	2. Assignee filing
3. One year grace period prior to U.S. filing date	3. Limited 6-month grace period prior to European filing date	3. Limited 6-month grace period prior to national filing date	3. One-year grace period prior to the convention priority date
4. Whole contents prior art effect from domestic filing date	4. Whole contents prior art effect from convention filing date	4. Whole contents prior art effect from convention filing date	4. Whole contents prior art effect fr convention filing date
a) Secret prior art for novelty b) Secret prior art for obviousness	a) Secret prior art for novelty b) No secret prior art for obv.	a) Secret prior art for novelty b) No secret prior art for obv.	a) Secret prior art for novelty b) No secret prior art for obv.
5. Objective test for nonobviousness	5. "Problem and solution" analysis as part of nonobviousness test	5. "Meritorious effect" test in addition to nonobviouness test	5. Objective test for nonobviousness
6. Liberal amendment practice, including after final rejection and after allowance	6. Strict amendment practice	6. Restrictive amendment practice	6. Subst. amdts. up to allowance; non-subst. amdts. up to final fee if permitted by examiner
7. Permit any number of independent and dependent claims, separately enforceable. Permit means plus function claims	7. Strict claim form, but liberal claiming practice, including dependent claims referring to other dependent claims	7. Limitations in claiming practice	7. Permit any number of independent and dependent claims, separately enforceable. Permit means plus function claims
8. Peripheral claiming practice (Metes and bounds)	8. "Characterized by" claiming practice	8. "Characterized by" claiming practice	8. Peripheral claiming practice (Metes and bounds)
9. Broad claim interpretation	9. Leaning to broad claim interpre.	9. Narrow claim interpretation	9. Broad claim interpretation
10. Broad scope of patentable subject matter	10. Somewhat limited scope of patentable subject matter	10. Somewhat limited scope of patentable subject matter	10. Broad scope of patentable subject matter
11. Product not protected by process claim	11. Product protected by process claim	11. Product protected by process claim	11. Product protected by process claim
12. No deferred examination	12. Deferred examination (up to 6 months after publication of search report	12. Deferred examination (seven years from filing date)	12. No deferred examination
13. No time limitation on prior art to invalidate patent	13. No time limitation on prior art to invalidate patent	13. Five-year limitation on prior art for patent invalidity	13. No time limitation on prior art to invalidate patent
14. Post-grant reexamination	14. Post-grant opposition	14. Pre-and post-issue opposition	14. Post-grant reexamination
15. Application filed in any language; later English translation freely correctable. No new matter	15. Appl. filed in lang. of nat'l of memb. state; correctable transl. into off. langs. No new matter	15. Applications must be filed in Japanese.	15. Application filed in any language. Later Eng. translation freely correctable. No new matter
16. Patent term extended for some products subject to premarket review	16. No patent term extension	16. No patent term extension	16. Patent term extended for some products subject to premarket review
17. Single 17-year patent term without regard to filing date	17. Patent term: 20 years from filing date	17. Term: 15 years from publication, not to exceed 20 yrs. from filing	17. Maximum term, 20 years from filing; guaranteed minimum term
18. No 18-month publication	18. 18-month publication	18. 18-month publication	18. 18-month publication w/interim rts. (Applicant entitled to prevent this publication.)