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# Patent Harmonization, Protectionism and Legislation

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# Patent Harmonization, Protectionism and Legislation

## **Abstract**

This essay raises questions about the Patent Harmonization Treaty, addressing the overall direction of harmonization in this country and the processes that are being applied to the harmonization effort. Section I of the essay compares the underlying goals of patent harmonization with those of the current United States patent system. The article contends that the legal rules relating to patents in this country evidence a specific intent to promote domestic industry. The aims of harmonization, in contrast, are fundamentally different. To be valid, then, patent harmonization may require a basic shift in the social consensus in this country concerning the use of patents. Section II examines the lawmaking processes that WIPO has used to arrive at the current text of the Patent Harmonization Treaty. The essay concludes that when viewed from the perspective of the national interests of the United States, WIPO's mechanisms have been neither careful nor inclusive. Section III addresses the general feasibility of using legislative lawmaking methods to define the law of patents in this country. It argues that proper efforts to legislate harmonization are likely to be difficult and time consuming. The great majority of the current law of patents in the United States is the result of significant common law development. Recent legislation relating to patents has shown that legislated rules of patent law often have unintended effects. The current harmonization effort, moreover, is much more comprehensive than any patent legislation we have attempted to date. As a result, there are substantial reasons to decline the opportunity to design a harmonized set of patent laws through legislation.

## **Keywords**

Paris Union, Patent Harmonization Treaty, WIPO, patent legislation, patent harmonization

## **Disciplines**

Intellectual Property Law

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# Essay: Patent Harmonization, Protectionism, and Legislation

R. Carl Moy\*

## INTRODUCTION

Efforts have been ongoing for nearly a decade in the latest efforts to harmonize<sup>1</sup> the patent laws of the world.<sup>2</sup> For the United States, the decisional point on whether to join in that effort is drawing near. The Paris Union<sup>3</sup> is in the final stages of negotiating a multilateral treaty that will harmonize the law of patents within signatory coun-

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1 Generally speaking, "harmonization" of legal systems refers to coordinating the various rules of law in the subject systems to the point where they express common, minimum principles. In this sense, harmonization can be contrasted with the more exacting ideal of "unification" of the law which, in its pristine form, refers to the use of the same legal rules in each system. See generally, e.g. David, Rene, *The International Unification of Private Law*, 2 *International Encyclopedia of Comparative Law*, ch. 5, 34-35 (1971).

2 The current efforts before the World Intellectual Property Organization (hereinafter "WIPO") to arrive a treaty on patent law harmonization began at least as early as 1983. See Note, *Committee of Experts on the Extension of a Grace Period*, 1984 *Indus. Prop.* 313; Kirk, M., *WIPO's Involvement in International Developments*, 50 *Albany L.J.* 601, 602 (1986) (hereinafter "Kirk") (asserting that WIPO harmonization efforts grew originally out an effort to coordinate the operations of the United States Patent and Trademark Office ("PTO"), the Japanese Patent Office, and the European Patent Office). The creation of international standards for the protection of patents has also been a subject in the Uruguay Round of the negotiations concerning the General Agreement of Tariffs and Trade ("GATT"). See generally, the sources cited *infra*, n.58.

In broad terms, however, patent harmonization as been an objective of portions of the international patent bar since the 1870's. See 1 Ladas, S.P., *Patents, Trademarks and Related Rights-National and International Protection*, 59-68 (1974) (hereinafter "Ladas"); Penrose, E., *The Economics of the International Patent System*, 42-59 (1951) (hereinafter "Penrose").

3 The Paris Union consists of the states that are members of the various forms of the Convention for the International Protection of Industrial Property ("Paris Convention"). Leaffer, M.A., *International Treaties on Intellectual Property*, at 563-64 (1990) (hereinafter "Leaffer"). The Paris Union has itself created WIPO to administer the Paris Convention, replacing the former United International Bureau for the Protection of Intellectual Property ("BIRPI") in 1967. Leaffer, at 563-64; See *The Convention Establishing the World Intellectual Property Organization*, WIPO Pub. No. 251, reprinted in Leaffer, at 566 (hereinafter "WIPO Convention").

tries (hereinafter the "Patent Harmonization Treaty").<sup>4</sup> Officials of the United States, as well as representatives of private organizations based in the United States, have participated in those negotiations.<sup>5</sup> Legislation has been introduced in the United States that would au-

<sup>4</sup> See *Draft Treaty Supplementing the Paris Convention for the Protection of Industrial Property As Far As Patents Are Concerned (Patent Law Treaty)*, WIPO Doc. No. PLT/DC/3 (1990) (hereinafter "Basic Proposal"). For discussions of the Patent Harmonization Treaty overall, see generally Fiorito, E.G., *Harmonization of U.S. and Worldwide Patent Laws*, 73 JPTOS 83 (1991) (hereinafter "Fiorito"); Pagenberg, J., *The WIPO Patent Harmonization Treaty*, 19 AIPLA Q.J. 1 (1991) (hereinafter "Pagenberg"); and Fryer III, W., *Patent Law Harmonization: The Current Situation and Alternatives Available* (pts. 1 & 2), 72 JPTOS 242, 298 (1990) (hereinafter "Fryer III"). WIPO itself refers to the treaty as the "Patent Law Treaty." See, e.g., *id.*; *History of the Preparations of the Patent Law Treaty*, WIPO Doc. No. PLT/DC/5 (1990) (hereinafter "WIPO History"). Those in the United States, however, have referred to it most commonly as the "Patent Harmonization Treaty."

The treaty has been the subject of a series of meetings before WIPO of the "Committee of Experts on the Harmonization of Certain Provisions of Law for the Protection of Inventions." See generally *WIPO History*, WIPO Doc. No. PLT/DC/5, at par. 4. In general, eleven preparatory meetings have been held, including an initial meeting that was limited to consideration of issues relating to the use of a "grace period" before filing. A listing of those meetings is provided below, along with citations to the Notes summarizing each that have appeared in WIPO's monthly publication, *Industrial Property*:

Prior meeting on grace period	1984 INDUS. PROP. 313	6th Session	1989 INDUS. PROP. 269
1st Session	1985 INDUS. PROP. 267	7th Session	1990 INDUS. PROP. 140
2nd Session	1986 INDUS. PROP. 309	8th Session,	
3rd Session	1987 INDUS. PROP. 204	part 1	1990 INDUS. PROP. 297
4th Session	1988 INDUS. PROP. 179	part 2	1991 INDUS. PROP. 41
5th Session, part 1	1988 INDUS. PROP. 358		
part 2	1989 INDUS. PROP. 53		

The member states of the Paris Union were to finally approve the treaty at a Diplomatic Conference in June 1991. At that time, however, authorities from various member states indicated that their governments would not approve of the treaty as it then existed. This included the United States insisting that it be allowed the option of retaining its first-to-invent theory of priority. See, e.g., *Statement of the Hon. Harry Manbeck, Commissioner of Patents and Trademarks, Joint Hearings on S. 2605 and H.R. 4978 Before the Senate Subcommittee on Patents, Copyrights and Trademarks and the House Subcommittee on Intellectual Property and Judicial Administration of the House and Senate Committees on the Judiciary*, 102d Cong., 2d Sess. (April 30, 1992) (hereinafter "Statement of Manbeck"); Remarks of M. Kirk at AIPLA Spring-Statd Meeting (May 2, 1991) reprinted in 1991 AIPLA Bull. 442, 443-46 (April-June) (hereinafter "Remarks of Kirk"); Bardehle, H., *The WIPO Harmonization Treaty and the Grace Period*, 1991 Indus. Prop. 372 (hereinafter "Bardehle"). Final approval by the Paris Union is now awaiting "the prospect of reaching a compromise on the diverging positions of the Paris Union member states." Bardehle, 1991 Indus. Prop. 372. Legislation has been introduced before the United States Congress in an effort to help provide such prospects. See *infra*, n.6. The proceedings at the diplomatic conference are summarized at 1991 Indus. Prop. 360.

<sup>5</sup> An exact listing of the participants appears at the various WIPO meetings in the Notes summarizing each meeting. See *supra*, n.4, and the text, *infra*, accompanying nn.86-107.

thorize fundamental changes in the law of patents in this country upon harmonization.<sup>6</sup> Many people knowledgeable in patent law believe that harmonization is an idea whose time has come.<sup>7</sup>

Yet, many of those interested in the United States patent system view harmonization with reactions that range from skepticism to hostility.<sup>8</sup> Segments as diverse as small-inventor groups<sup>9</sup> and research universities<sup>10</sup> are opposed to the concept. Former Commissioner of Patents and Trademarks Donald Banner has adamantly criticized some aspects of the harmonization effort.<sup>11</sup> The patent bar itself is by no

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6 S. 2605, 102d Cong., 2d Sess. (1992); H.R. 4978, 102d Cong., 2d Sess. (1992); *See generally, e.g.*, 138 Cong. Rec. S5226-01 (introducing S. 2605); 44 PTCJ 3 (May 7, 1992) (summarizing testimony at joint hearing on S. 2605 and H.R. 4978).

7 *See, e.g., Statement of Manbeck, supra, n.4; Statement of H. Wegner, Joint Hearings on S. 2605 and H.R. 4978 Before the Senate Subcommittee on Patents, Copyrights and Trademarks and the House Subcommittee on Intellectual Property and Judicial Administration of the House and Senate Committees on the Judiciary, 102d Cong., 2d Sess. (April 30, 1992) (hereinafter "Statement of Wegner"); Statement of the American Intellectual Property Law Association, Joint Hearings on S. 2605 and H.R. 4978 Before the Senate Subcommittee on Patents, Copyrights and Trademarks and the House Subcommittee on Intellectual Property and Judicial Administration of the House and Senate Committees on the Judiciary, 102d Cong., 2d Sess. (April 30, 1992) (delivered by Robert Benson) (hereinafter "Statement of the AIPLA").*

8 Remarks of J. DeGrandi at the AIPLA Spring-Stated Meeting (May 2, 1991) *reprinted in* 1991 AIPLA Bull. 645 (July-Sept.); Donald Banner, Address to the American Bar Association Section of Patent, Trademark and Copyright Law at its Annual Meeting (August 12, 1991) (references to this organization are hereinafter abbreviated as "ABA-PTC"); George Clark, Statement to the ABA-PTC Annual Meeting on Resolution 102-1 (August 10, 1991), *reprinted in* ABA-PTC, 1990-91 Annual Report, at 73; Douglas Wyatt, Statement to the ABA-PTC Annual Meeting on Resolution 102-1 (August 10, 1991), *reprinted in id.* at 68; *Statement of Douglas Wyatt, Joint Hearings on S.2605 and H.R. 4978, Before the Senate Subcommittee on Patents, Copyrights and Trademarks and the House Subcommittee on Intellectual Property and Judicial Administration of the House and Senate Committees on the Judiciary, 102d Cong., 2d Sess. (April 30, 1992) (hereinafter "Statement of Wyatt").*

9 *See, e.g.,* letter from Esther S. Smith on behalf of the Association of Technology Business Councils to Rep. Bentley (R-Md.) (Sept. 25, 1992) (criticizing first-to-file recommendation of the Advisory Commission on Patent Law Reform); Robert Toole, President, United Inventors Association of the United States of America, Statement to the Technology Transfer Task Force of the Republican Research Committee, (Sept. 29, 1992) (same); *America's Greatest Asset Under Siege*, Invention Connection 1 (Aug. 1992) (asserting SBA study in April, 1992, to have found 66% of small businesses to oppose a change to first-to-file priority). *See also* 138 Cong. Rec. H7370-72 (daily ed. Aug. 4, 1992) (statement of Rep. Bentley).

10 *E.g., Statement of the Association of University Technology Managers, Joint Hearings on S. 2605 and H.R. 4978 Before the Senate Subcommittee on Patents, Copyrights and Trademarks and the House Subcommittee on Intellectual Property and Judicial Administration of the House and Senate Committees on the Judiciary, 102d Cong., 2d Sess. (April 30, 1992) (delivered by Howard Bremer) (hereinafter "Statement of the AUTM").*

11 *See, e.g., supra, n.8; Statement of Banner on Resolution 102-1 at the Annual Meeting of the ABA-PTC (August 10, 1991), reprinted in* ABA-PTC, 1990-91 Annual Report, at 63-64. Commissioner Banner's concerns center on whether those who will be affected by harmonization have been kept adequately informed.

means unified in its support of harmonization,<sup>12</sup> and even the remarks of key members of Congress evidence ambivalence.<sup>13</sup>

In support of their positions, critics of harmonization have tended to debate the merits of the individual proposals that appear likely to be part of the final Patent Harmonization Treaty. Some have criticized, for example, the proposal to replace the current first-to-invent system of priority in the United States with one based on a first-to-file rationale.<sup>14</sup> Others have argued against the introduction of prior-user rights into the United States.<sup>15</sup>

This essay also raises questions about the Patent Harmonization Treaty. Rather than focusing on the substance of individual provisions, however, it addresses the overall direction of harmonization in this country and the processes that are being applied to the harmonization effort. Section I of the essay compares the underlying goals of patent harmonization with those of the current United States patent system. The article contends that the legal rules relating to patents in this country evidence a specific intent to promote domestic industry. The aims of harmonization, in contrast, are fundamentally different. To be valid, then, patent harmonization may require a basic shift in the social consensus in this country concerning the use of patents.

Section II examines the lawmaking processes that WIPO has used to arrive at the current text of the Patent Harmonization Treaty. In particular, it compares the lawmaking processes of WIPO with

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12 See, e.g., Remarks of Kirk, 1991 AIPLA Bull. 442 (observing that, as of January 1991, "no organized support" beyond a "few individuals" was being shown in favor of adopting a first-to-file priority system in the U.S.). The ABA-PTC adopted several resolutions generally favoring harmonization at its 1992 Annual Meeting, but over strong opposition. The ABA-PTC recommitted other resolutions that dealt with harmonization more specifically.

13 See, e.g., *Statement of Senator DeConcini, Joint Hearings on S. 2605 and H.R. 4978 Before the Senate Subcommittee on Patents, Copyrights and Trademarks and the House Subcommittee on Intellectual Property and Judicial Administration of the House and Senate Committees on the Judiciary*, 102d Cong., 2d Sess. (April 30, 1992) ("Harmonization would lead to the most significant changes in the United States Patent Law since the Patent Act of 1836. Thus, it is my view that such drastic changes to fundamental aspects of our patent system should be examined and considered in Congress and not in a backroom meeting in Brussels or Geneva. And let me make this clear—in this senator's view, the burden is on those who seek to change our patent system. They must prove their case that change is necessary.").

14 E.g., *Statement of the AUTM*, *supra*, n.10; Keegan, Robert R., *Re: Blake R. Wiggs Article "Canada's First-to-File Experience"*, 73 JPTOS 804 (1991) (letter to the editor); Katona, Gabriel, *First-to-File—Not in the United States*, 73 JPTOS 399 (1991); Macedo, Charles R.B., *First to File: Is American Adoption of the International Standard Worth the Price?*, 1988 Colum. Bus. L. Rev. 543 (1988).

15 E.g., *Statement of Wyatt*, *supra*, n.8; *Statement of the AUTM*, *supra*, n.10. Cf. Brownlee, L.M., *Trade Secret Use of Patentable Inventions, Prior User Rights and Patent Law Harmonization: An Analysis and Proposal*, 72 JPTOS 523 (1990) (suggesting changes to treaty provision).

those that the American Law Institute (the "ALI") has used recently to restate the law of trademarks. The ALI's mechanisms have been careful and inclusive. The essay concludes, however, that when viewed from the perspective of the national interests of the United States, WIPO's mechanisms have not. It is likely, therefore, that the terms of the Patent Harmonization Treaty do not reflect the full expertise of the legal community of the United States. It is also possible that the substance of the Patent Harmonization Treaty has in fact wandered away from the social consensus that exists in the United States for it.

Section III addresses the general feasibility of using legislative lawmaking methods to define the law of patents in this country. Even if the processes of WIPO are unacceptable, it does not necessarily follow that the United States cannot attain patent harmonization via some other lawmaking method. We have legislated statutory schemes to govern other complex areas of law, and it is therefore at least theoretically possible that we could make patent law succumb to similar efforts. Section III of the article, however, argues that proper efforts to legislate harmonization are likely to be difficult and time consuming. The great majority of the current law of patents in the United States is the result of significant common law development. Recent legislation relating to patents has shown that legislated rules of patent law often have unintended effects. The current harmonization effort, moreover, is much more comprehensive than any patent legislation we have attempted to date. As a result, there are substantial reasons to decline the opportunity to design a harmonized set of patent laws through legislation.

#### I. HARMONIZATION VS. PROTECTIONISM

The broad goal of patent harmonization is to produce a set of patent laws in various countries that are substantially uniform, to

thereby facilitate the trans-national assertion of patent rights.<sup>16</sup> Harmonization thus reflects the implicit decision to approach competitive inventive activity in a manner that disregards the national origin of the inventor.<sup>17</sup> It is assumed that such a free-trade, "level playing field" condition will optimize the pace of technological development worldwide, or at least operate to the net benefit of U.S. inventive entities.<sup>18</sup>

Comparing these goals and assumptions of harmonization to the present U.S. patent system creates fundamental difficulties. Patent systems, including the patent system of the United States, are mech-

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16 See, e.g., *WIPO Convention*, Art. 3, 4 (1967), Leaffer, at 567:

**Article 3**

**Objectives of the Organization**

The objectives of the Organization are:

(i) to promote the protection of intellectual property throughout the world through cooperation among States. . . .

**Article 4**

**Functions**

In order to attain the objectives described in Article 3, the Organization, through its appropriate organs, and subject to the competence of each of the Unions:

(i) shall promote the development of measures designed to facilitate the efficient protection of intellectual property throughout the world and to harmonize national legislation in this field[.]

See also *WIPO, Report on the Work of Main Committee V (World Intellectual Property Organization)*, in *Reports on the Work of the Five Main Committees of the Intellectual Property Conference of Stockholm, 1967*, WIPO Doc. No. 309(E), at 123, 128-29 (1967) (hereinafter "*Report on the Work of Main Committee V*"). See generally, e.g., 1 Ladas, at 13 (observing that "unification and harmonization of the law of industrial property on a worldwide basis" is hoped to "lead to automatic world recognition of rights of industrial property"); Penrose, at ch. 3 (discussing history of the Paris Convention); Ulmer, E., *Copyright and Industrial Property*, 14 *International Encyclopedia of Comparative Law*, ch. 1, 10 (1987) (hereinafter "*Ulmer*").

17 Article 2 of the Paris Convention, for example, requires that each member country provide nationals of any member country with the same rights that the country gives to its own nationals. See generally Leaffer, at 7-8; 1 Ladas, at 283. The Patent Harmonization Treaty can be viewed as an effort to carry this general rationale into further specifics, as well as to require more rigorous minimum standards of protection than the Paris Convention currently provides for.

18 See Simon, E., *U.S. Trade Policy and Intellectual Property Rights*, 50 *Albany L.J.* 501 (1986) (hereinafter "*Simon*"); Remarks of Emory Simon at the Symposium on Trade-Related Aspects of Intellectual Property, March 24-25, 1989, *reprinted in* 22 *Vand. J. Transnat'l. L.* 367 (1989). Simon refers to a "white paper" issued by the Administration in 1985 that reportedly detailed the Administration's objectives with regard to international negotiations on intellectual property. 50 *Albany L.J.* at 502-03, 506-07. The Office of the United States Trade Representative, however, has been unable to locate copies of the document in response to inquiries from the author's staff.

anisms to increase wealth.<sup>19</sup> They encourage the disclosure of new technology,<sup>20</sup> thereby fostering the creation of wealth in the form of publicly available information. They also spur increased inventive activity, thereby increasing wealth in the form of industrial know-how even apart from the disclosure function.<sup>21</sup>

Viewed more specifically, the U.S. patent system is focused narrowly on increasing the national wealth of the United States.<sup>22</sup> The United States patent system does not ask whether inventions are new worldwide. Instead, it limits anticipating prior knowledge, use

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<sup>19</sup> *E.g.*, Heald, Paul, *Federal Intellectual Property and the Economics of Preemption*, 76 Iowa L.J. 959, 962 (1991). *See, e.g.*, Abramson, *The Patent System: Its Economic and Social Basis*, Patent Study No. 26 of the Subcomm. on Patents, Trademarks and Copyright of the Committee on the Judiciary of the United States Sen., 86th Cong., 2d Sess., 6 (1958) (reports in this set are hereinafter referred to individually as "Patent Study No. ") ("[I]t will be in society's interest to assure, at a minimum, the supply of any invention whose costs of creation can be recovered through savings made possible in manufacture, or through the profitable sale of a new product.").

At one time, patent systems were also justified as a means of recognizing the inventor's property interest, or "natural right," in his or her invention. That rationale, however, was largely discarded in the nineteenth century. *See* Malchup & Penrose, *The Patent Controversy in the Nineteenth Century*, 10 J. Econ. Hist. 1 (1950) (hereinafter "Malchup & Penrose").

<sup>20</sup> *E.g.*, Patent Study No. 26 at 5; Vaughan, F.L., *The United States Patent System*, 27-29 (1977) (hereinafter "Vaughan"); Penrose, at 31-34; Malchup, F., *An Economic Review of the Patent System*, Patent Study No. 15, 21-24 (1958).

<sup>21</sup> *E.g.*, Patent Study No. 26, at 5; Vaughan, at 29-32; Vernon, *The International Patent System and Foreign Policy*, Patent Study No. 5, 6 (1957) ("The underlying economic assumption in the grant of patent monopolies by the government to their own nationals is that the monopoly is essential to the stimulation of invention or investment; and that the stimulation afforded by the grant contributes more to the well-being of the nation than the inherent cost of the monopoly."); Patent Study No. 15, at 59-62 (asserting that role of patent system is to encourage creation of inventions whose value exceeds their social cost); Kaufer, E. *The Economics of the Patent System*, 19 (1989) (hereinafter "Kaufer"); Penrose, at 34-41.

<sup>22</sup> *Cf.* Patent Study No. 5, at 6 ("The institution of the patent grant was originally devised. . . partly as a device for stimulating domestic industry."); Patent Study No. 15, at 17; Penrose, at 88-89; and the sources cited *infra*, nn.23-43. The same function has been asserted to be a basis of trade secret law. Fetterley, D., *Historical Perspectives on Criminal Laws Relating to the Theft of Trade Secrets*, Bus. Lawyer 1535 (1970).

or sale to acts that have occurred “in this country.”<sup>23</sup> This is because introducing new information into the United States increases the national wealth of this country, even though the information may already be known elsewhere. United States patent law therefore rewards conduct of this latter type, despite the fact that the U.S. patentee, strictly speaking, is not the first inventor of the patented advance.<sup>24</sup>

This focus on information available within the United States leads to another important, corollary aspect of the United States patent system. Logically, if enriching the United States is the meaningful act that the patent system seeks to encourage, then the inventor who first brings the patentable advance to the United States should have the superior claim in a priority contest. Consistent with this aim, the

<sup>23</sup> Sections 102(a) and (b) of Title 35, U.S.C. provide:

§ 102. Conditions for patentability; novelty and loss of right to patent. A person shall be entitled to a patent unless-

(a) the invention was known or used *in this country*. . .before the invention thereof by the applicant.

(b) the invention was. . .in public use or on sale *in this country*. . .more than one year before the date of application for patent in the United States[.]

(emphasis added). In this respect the patent law of the United States differs notably from the patent laws of numerous other countries, which disregard the geographic location of public uses and sales for the purpose of determining novelty. *See generally* President's Commission on the Patent System, “*To Promote the Progress of. . .the Useful Arts*” in *An Age of Exploding Technology*, (1966).

The fact that publications outside the United States also qualify as anticipating disclosures can be explained via assumptions about the larger availability of such information to United States nationals, rather than any focus on the worldwide nature of the advance sought to be patented. *See, e.g., Gayler v. Wilder*, 51 U.S. 477, 497 (1850) (“If the foreign invention had been printed or published, it was already given to the world and open to the people of this country, as well of by others, upon reasonable inquiry. . . . But if the foreign discovery is not patented, nor described in any printed publication, it might be known and used in remote places for ages, and the people of this country be unable to profit by it.”) *See generally* 1 Chisum, Patents, § 3.05[5] (1992).

<sup>24</sup> The assertion is an inherent result of disregarding foreign knowledge and use for purposes of determining novelty and nonobviousness. *See, e.g.,* sections 102(a), (b). Current discussions of the territorial restrictions in these sections tend to focus on the practical problems that arise when trying to prove activities outside the United States. It appears clear, however, that at the time the United States adopted the restrictions this concern was subservient to the motivation discussed in the main text.

As a closely related example, it was possible until the British Patent Act of 1977 to patent an invention in the United Kingdom on its first introduction into that country from abroad, even though the “introducer” derived the invention from another. *See* Chartered Institute of Patent Agents, C.I.P.A. Guide to the Patents Acts, §7.07 (1990); Armitage, Edward, *Patents: Recent Developments and Future Prospects on the National Level in the United Kingdom*, in *Current Trends in the Field of Intellectual Property*, 103, 107 (1971); Patent Study No. 15, at 7 n.33. Evidence indicates that the practice was of ancient lineage, *see* Bugbee, B.W., *The Genesis of American Patent and Copyright Law* (1967) (hereinafter “Bugbee”), and that many countries once granted such “patents of importation.”

United States patent law prohibits inventors from proving dates of invention on the basis of activities that have been performed outside the United States.<sup>25</sup> Far from being historical anachronisms, the territorial restrictions in Chapter 10 of the patent code<sup>26</sup> are outgrowths of a fundamental purpose of the United States patent system.<sup>27</sup>

In addition, patent systems promote national wealth in another way that has more direct implications for patent harmonization. Patents stimulate inventive activity by promising to transfer more wealth from consumers of the patented advance to the patent owner than

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25 Section 102(g) provides:

§ 102. Conditions for patentability; novelty and loss of right to patent. A person shall be entitled to a patent unless-

(g) before the applicant's invention thereof the invention was made *in this country* by another. . . .  
(emphasis added).

Section 104 provides:

§ 104. Inventions made abroad

In proceedings in the Patent and Trademark 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 thereof, or other activity with respect thereto, *in a foreign country*, except as provided in sections 119 and 365 of this title [implementing the Paris Convention and Patent Cooperation Treaties].

(emphasis added). Section 102(a) can be regarded as a first-to-invent section whose territorial restrictions are consistent with the point made here in the text.

It can be argued that symmetry concerns and the focus in Sections 102(a) and 102(b) on acts "in this country" compel the territorial restrictions in sections 102(g) and 104. While the proof is somewhat too involved to present here in full detail, interested readers can find the matter discussed in some detail in *Electric Storage Battery Co. v. Shimadzu*, 307 U.S. 5 (1939); *Chambers v. Duncan*, 1876 C.D. 82 (Comm'r. Pat.); and 3 Chisum, Patents × 10.03[3].

It should be noted that the current proposal of the United States, which involves retaining a first-to-invent system of priority, *see supra*, n.4, offers instead to remove the territorial restrictions in section 104 and change the *Hilmer* rule, discussed *infra*, at nn.27, 39. *See* WIPO Doc. No. PLT/DC/6 (proposal by United States); Remarks of Kirk, 1991 AIPLA Bull. 442 (discussing substance of proposal).

26 Chapter 10 of Title 35, U.S.C., consists of sections 100-105.

27 There are, of course, various provisions in the patent laws of the United States that allow foreign inventors to rely on the filing of certain non-U.S. patent applications for priority. *E.g.*, 35 U.S.C. §§ 102(e), 104, 119. The provisions were added to implement the Paris Convention and the Patent Cooperation Treaty. They are, however, essentially layered over the basic structure of the U.S. patent system and have not forced the United States to change the national focus of its patent laws. *See generally* 4 Chisum, Patents, § 14.02[3]. (The rule embodied in section 104 of the patent code, for example, was created *after* the United States implemented the Paris Convention. *See Electric Storage Battery Co. v. Shimadzu*, 307 U.S. 5 (1939); and Section 9 of the Patent Act of August 8, 1946, Ch. 910, Pub. L. No. 690, 79th Cong., 2d Sess., 90 Stat. 640 (enacting predecessor of section 104).) The fact that these foreign-priority provisions proceed from a different theoretical basis may explain why they coexist with the rest of United States patent law uncomfortably. *See, e.g., In re Hilmer*, 359 F.2d 859 (CCPA 1966) and *In re Hilmer*, 424 F.2d 1108 (CCPA 1970) (holding that foreign priority date has no effect for prior art purposes); 1 Ladas, at 304-06 (asserting that holdings of the *Hilmer* decisions "conflict" with Article 4 of the Paris Convention).

would be the case in an open market.<sup>28</sup> Thus, when the patent owner is a foreign entity, the patent increases the outflow of wealth from the patenting country.<sup>29</sup> When the patent owner is a domestic entity, conversely, the increased market power that the patent confers over foreign competitors may stem an outflow of wealth that would

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<sup>28</sup> *E.g.*, Patent Study No. 26, at 7 (“[P]atentees. . . enjoy a degree of monopoly power. . . . Production by any monopolist is likely to be at a lower level, and his prices higher, than would prevail if the industry were competitive.”); Patent Study No. 15, at 44 (asserting that patent owners ultimately collect their quasi-rents from consumers as part of the price paid for goods and services). *See, e.g.*, Posner, R., *Economic Analysis of Law*, 195-99 (2d ed. 1977) (asserting that single producer, such as a patent holder, will maximize profits at a selling price that is higher than would exist in competitive market); Kitch, E.W., *The Nature and Function of the Patent System*, 20 *J.L. & Econ.* 265, 266-67 (1977) (“Offsetting [the incentive] benefit of the patent system is the fact that the patent subjects new technology to exclusive control and, assuming that the demand curve for the technology has a negative slope, adversely affects social welfare, *ceteris paribus*.”).

<sup>29</sup> Patent Study No. 15, at 55 (asserting that foreign holdings of domestic patents act as “deductions from national wealth”); Penrose, at 95-96. *See, e.g.*, Vaughan, at 259-60 (“Our laws allow foreigners to take out patents in this country merely for the purpose of reserving the United States as a market for their patented products; the result in some instances is the prevention of manufacture in this country in spite of more favorable factors of production here than abroad. The only benefit arising here comes mainly from the importation of such inventions or the products they make possible. . . .”). *Cf.* Patent Study No. 5, at 4 (observing that providing rights to foreign patentees raises concern of undue control of domestic economy, and asserting that the United States was previously able to ignore such concerns due to the low percentage of foreign nationals who held U.S. patents at the time).

Some commentators have considered patents to be analogous to tariffs as barriers to trade. *E.g.*, Simon, 50 *Albany L.J.* 501. The implication is apparently that the same economic calculations that support the decision to seek low tariffs should also support the decision to favor open transnational patenting. Others, however, have described the analogy between tariffs and patents as “not entirely apt.” Patent Study No. 26 at 13. For example, reducing tariffs has the positive effect of lowering costs of the affected goods to domestic consumers, which tends to offset the harm that the lower tariff inflicts on the inefficient domestic producers who the tariff previously protected. In comparison, allowing foreigners increased access to domestic patents does not benefit domestic consumers significantly—foreign patenting merely places single-source control of the patented good into the hands of a supplier that is foreign. Absent the increased access, the good would be either unpatented or controlled by a domestic patent holder. It appears likely, then, that a separate set of economic calculations would be required to support the decision to favor open transnational patenting.

otherwise occur. Under this rationale there are substantial reasons to favor nationals over foreigners in the patenting process.<sup>30</sup>

Comparing first-to-invent priority with priority based on first-to-file demonstrates how these concerns exist in the patent system of the United States today. Supporters of harmonization have advocated first-to-file priority over the present rationale of first-to-invent<sup>31</sup> because of alleged administrative efficiencies.<sup>32</sup> They have also argued that first-to-file priority will reward more directly the attempt to disclose the patented advance, thus arguably increasing the efficiency with which the patent system will increase wealth.<sup>33</sup>

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30 See, e.g., Penrose, at 112-127 (“[P]urely from the standpoint of its own economic benefit, a single country could conclude that it had nothing to gain and much to lose by including foreign inventions within the protection of its patent law, providing that the direct gain from granting foreign patents was the only consideration.”); Patent Study No. 5, at 6 (“[I]t does not follow [from the general economic assumptions that favor patents] that the extension of patent rights by nations to foreigners has the same general effect upon inventiveness or the disclosure of inventions as those granted to nationals; . . . it is easy to envisage cases in which the issuance of a foreign patent may have no effect on inventiveness or public information regarding inventions.”); Patent Study No. 15, at 12.

The same analysis can lead to the conclusion that no patent system, or perhaps only a weak patent system, is preferable where conditions suggest that foreigners will hold significant portions of a country’s patents. Switzerland denied patent protection to chemical processes during the 19th century, for example, when it appeared that the owners of Swiss patents on such subject matter would be German, rather than Swiss corporations. E.g., Kaufer, at 10; Penrose, at 16-17, 120-24. China announced its adherence to the same general strategy in the 1980’s. Kaufer, at 48.

This may explain the general hostility of developing countries to the protection of intellectual property. See, e.g., 1 Ladas, at 13; Penrose, at 115-17; Braga, C., *The Economics of Intellectual Property Rights and the GATT: A View from the South*, 22 Vand. J. Transnat’l. L. 243 (1989); Berkowitz and Kotowitz, *Patent Policy in an Open Economy*, 15 Can. J. Econ. 1 (1982). For discussions of specific examples of such arguable hostility, see, e.g., Fiorito, E.G., 73 JPTOS 83, 89-91 (1991) (discussing proposal by developing countries to allow limits on fields of technology that are patentable); Kaufer, at 13, 51 (discussing attempt by developing countries in early 1980’s to allow the grant of exclusive compulsory licenses); See generally, e.g., Patent Study No. 5, at 12-13 (discussing economic rationale); Kaufer, at 47-48 (same); Greer, D., *The Case Against the Patent System in Less Developed Countries*, 8 Int’l. J. of L. & Econ. 223 (1973) (hereinafter “Greer”); Note, *The Role of the Patent System in technology Transfer: The Japanese Experience*, 26 Colum. J. Transnat’l. L. (1987).

The analysis in the text, of course, is not complete. The promise of an increased pace of technological advance generally, or the threat of retaliatory trade practices by countries whose inventors are disadvantaged, may make a strong patent system worthwhile even at the cost of enriching foreign patent holders.

31 The United States law of first-to-invent is embodied essentially in sections 102(a), 102(e) and 102(g).

32 E.g., Wiggs, Blake Rd., *Canada’s First-to-File Experience—Should the U.S. Make the Move?*, 73 JPTOS 493, 502-03 (1991) (hereinafter “Wiggs”); Wrenn, Gregory J., *What Should be Our Priority—Protection for the First to File or the First to Invent?*, 72 JPTOS 872, 878-80 (1990) (hereinafter “Wrenn”); Dunner, Donald R., *First to File: Should Our Interference System be Abolished?*, 68 JPTOS 561, 562-63 (1986). These sources are representative of a much larger literature.

33 E.g., Wiggs, 73 JPTOS at 507-09; Wrenn, 72 JPTOS at 883-85.

The difficulty with these assertions is that they analyze the effect of the two competing priority rationales on situations where the patent applicants are domestic entities. They ignore, therefore, the differences in the transnational effects of the two rationales—effects that are significant and perhaps even dominant.<sup>34</sup> Specifically, awarding priority under the United States' current first-to-invent rationale, when coupled with the provisions that restrict proof of invention to the United States,<sup>35</sup> effectively advantages domestic inventors over foreign nationals in the contest to obtain United States patents.<sup>36</sup> Awarding priority under a first-to-file rationale does not, in contrast, particularly if one allows foreign applicants to establish priority by filing national applications in their own countries.<sup>37</sup> The advantage that United States inventors currently enjoy under first-to-invent, moreover, is extremely one-sided, in that foreign patent systems already determine priority on the basis of filing date,<sup>38</sup> a contest in which United States inventors can compete evenly.<sup>39</sup>

The effect of United States patent law to disadvantage foreign inventors, in fact, is even more clear when viewed historically. The United States for a time required that foreign patentees work their

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<sup>34</sup> Wiggs, for example, does not treat the transnational effects of the two competing priority rationales, despite identifying no less than twenty seven arguments that favor a first-to-invent system.

<sup>35</sup> See *supra*, n.25.

<sup>36</sup> See, e.g., International Federation of Industrial Property Counsel, *FICPI Position Paper for the Diplomatic Conference for the Conclusion of a Treaty Supplementing the Paris Convention as Far as Patents Are Concerned (Patent Law Harmonization Treaty)*, at 1-2 (May 6, 1991) (hereinafter "*FICPI Position Paper*") (discussing result as "geographical imbalance" in favor of domestic inventors).

<sup>37</sup> Article 4 of the Paris Convention requires that foreign inventors be allowed to establish priority on the basis of foreign filings that meet certain specified criteria. Leaffer, at 21-23.

<sup>38</sup> Article 60(2) of the European Patent Convention (hereinafter the "EPC"), *reprinted in* Leaffer, at 144, 166, for example, awards patent rights to the inventor whose "application has the earliest date of filing." Article 87 of the EPC accords a foreign-filed application with priority under the Paris Convention. Leaffer, at 175-76.

<sup>39</sup> Not coincidentally, a shift in the priority rules of the United States from a first-to-invent to a first-to-file rationale has been a major objective of foreign interests in the WIPO meetings. See, e.g., Report of the Third Meeting of the Advisory Commission on Patent Law Reform, at 17-18 (on file with the PTO) (reporting evaluation by the PTO that "without this concession [on U.S. priority] the U.S. will have very little leverage" in the WIPO negotiations). Certain foreign delegations are willing to accept the United States' alternate proposal to retain first-to-invent priority but permit priority based on foreign activities, as discussed *supra*, n.25, see *FICPI Position Paper*, at 1-2; Remarks of Bardehle at the Spring-States Meeting of the AIPLA (May 2, 1991), 1991 AIPLA Bull. 633, 636 (July-Sept.), apparently because either change will seriously weaken the bias of the current United States patent system toward domestic inventors.

patented inventions in the United States as a condition of protection.<sup>40</sup> No such requirement applied to domestic patentees.<sup>41</sup> For a time the United States even denied foreign inventors the right to obtain United States patents altogether.<sup>42</sup>

With this background, the conflict between harmonization and the present United States patent system is clear. The United States patent system has never been a means of fostering free trade—rather, it is a set of measures whose effects are substantially protectionist.<sup>43</sup> The globalist aims of patent harmonization may therefore be inconsistent with the underlying assumptions upon which the current United States patent system is based.

The point of this observation is not that economic decisions made in the 19th century should bind the United States immutably today, or even that harmonization is wrong on its merits. Instead, the lesson is a narrower one: the simple existence of the present United States patent system does not imply a mandate to harmonize. Stated another way, perfecting the present United States patent system may mean making it *more* effectively protectionist, not *less* so as is the goal of harmonization.

This lesson is enormously important in terms of legal process. The law should change only in response to the formation of an appropriate social consensus. In the case of patent harmonization this means first resolving to adopt a globalist, free-trade approach to in-

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40 Section 15 of the Patent Act of 1836, Ch. 357, 5 Stat. 117, made it a defense to an action for patent infringement if

the patentee, *if an alien at the time the patent was granted*, had failed and neglected for the space of eighteen months from the date of the patent, to put and continue on sale to the public, on reasonable terms, the invention or discovery for which the patent issued.

(emphasis added). The provision remained in force until 1870. See generally 2 Robinson, Patents for Inventions, § 632 (1890). Vernon discusses the general history of working requirements in Patent Study No. 5, at 3, 7, and asserts that the function of such requirements is to favor the stimulation of domestic industry in the face of patenting by foreigners. *Accord*, Penrose, at 78-87, 137-61; Patent Study No. 15, at 17 n.92.

41 Section 15 of the Patent Act of 1836.

42 Section 1 of the Patent Act of 1793, Ch. 11, 1 Stat. 318, permitted U.S. patents to be issued only to "a citizen or citizens of the United States." This provision was replaced by Section 1 of the Patent Act of 1800, which allowed aliens to take out U.S. patents provided that they had been resident in the United States for the previous two years. See generally Philips, The Law of Patents for Inventions, Ch. VI, § 7 (1837). The Patent Act of July 13, 1832 expanded this to any alien who declared an intention to become a citizen of the United States. This last provision remained in force until superceded by Section 15 of the Act of 1836, as discussed in the two immediately preceding footnotes.

43 Indeed, patent systems worldwide have been viewed as protectionist mechanisms at odds with free trade. *E.g.*, Kaufer, at 8-10; Malchup & Penrose, 10 J. Econ. Hist. at 4-10. See *infra*, n.137.

novation and patenting, with all of its risks and potential advantages. The United States has not been operating according to that consensus to date; indeed, it is possible that we have been operating under an opposite one. Large exporting corporations that are heavily invested in research and development may prosper from a level international playing field.<sup>44</sup> Whether the United States as a whole will be better off, however, is at least a different question.<sup>45</sup>

Perhaps, then, part of the unease over harmonization involves a reluctance to make such fundamental and far-reaching changes in our approach to protecting United States technology. If that is so, persuading the critics of harmonization will require us to confront much more basic value judgments than we have been discussing up to now. The United States is the largest consumer market in the world,<sup>46</sup> and we are net consumers, rather than producers, of goods and services.<sup>47</sup> Patent harmonization in the form currently under consideration may simply not be in our national interest.<sup>48</sup>

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44 *E.g.*, Penrose, at 126 ("The fact is that the immediate gain to exporting firms of all industrialized countries is so evident that strong pressures would in any case come from them [if no international patent system were present] in favor of a regime in which patents can be obtained in foreign countries.").

45 *See, e.g.*, Patent Study No. 5, at 12 ("A nation considering whether and on what terms to grant patents to foreigners has some exceedingly complicated economic judgments to make."); 1 Ladas, at 15 ("[H]armonization has to be viewed realistically. The trend toward viewing 'harmonization' as a good thing no matter what the problems are, as an end in itself, is subject to a fair degree of qualification. In certain areas it may be simply undesirable or impractical from a country's national point of view, since the concessions that would have to be made to achieve agreement may not be worth it.").

46 Current estimates rank the United States as consuming 30-35% of the world's goods and services. The United States is thus the world's largest single consumer market, pending the European Community's adoption of structural changes in 1993.

47 *E.g.*, Economic Report of the President, H.R. Doc. No. 177, 102d Cong., 2d Sess., 416 (1992) (reporting 1990 trade deficit of \$123.4 billion). Penrose asserts that a country's gain from the transnational flow of wealth due to foreign patenting "is especially important for the large exporting countries, who export more patented products than they import; in general the gain is obtained at the expense of the importing countries." Penrose, at 95. Vernon analyzes balance-of-trade figures more specifically as to nonfood manufactured products, on the assumption that patent protection will be limited largely to these categories of imports and exports. Patent Study No. 5, at 7-8.

48 *See, e.g.*, Penrose, at 111 ("In balancing the costs and gains of extending patent protection to non-resident foreigners without imposing special restrictions and obligations, most countries have considered that the costs exceed the gains."); *id.* at 125 ("[E]ven for [larger industrialized countries] the balance of costs and gains [from an international regime sanctioning foreign patents] does not clearly show a net gain.").

In light of the discussion *supra*, nn.34-39, this may be particularly true with regard to the decision whether to adopt first-to-file priority. *See* Penrose, at 114 ("It seems clear. . .that if the firms in a country could obtain patents abroad regardless of whether foreigners were granted patents in their country, few countries would find it to their advantage to grant patents on foreign inventions. . .").

This focus on harmonization vs. protectionism can shed new light on other provisions that are at issue in harmonization. For example, the grace-period provisions that the United States is seeking to insert in the laws of foreign countries as a part of harmonization would be applied without regard to national origin.<sup>49</sup> Foreign patent systems that do not have a grace period, however, already apply the concept of absolute novelty evenly to both national and foreign inventors.<sup>50</sup> The presence or absence of a grace period outside the United States therefore has a largely neutral effect on the relative national interests of the United States and other countries.<sup>51</sup> The gains to the United States from inserting grace periods into the national patent systems of foreign countries thus may not compensate ade-

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<sup>49</sup> *Basic Proposal*, Art. 12, WIPO Doc. No. PLT/DC/3, at 22-23 ("Disclosures Not Affecting Patentability (Grace Period)"). See generally Pagenberg, 19 AIPLA Q.J. at 8-9.

<sup>50</sup> The Strassbourg Convention and the EPC, for example, both consider an invention old if it forms "part of the state of the art." Each defines the state of the art to comprise "everything made available to the public," with no qualification as to location. Strassbourg Convention on the Unification of Certain Points of Substantive Law on Patents for Inventions, Nov. 27, 1963, art. 4, reprinted in Jacob, A.J., *Patents Throughout the World*, app. C5 (1992) (hereinafter "Jacob"); European Patent Convention, Oct. 5, 1973, art. 54, reprinted in Leaffer, at 143, 164.

In effect then, United States inventors who seek patents in foreign countries currently have at least one disadvantage in comparison to foreign inventors who seek United States patents. Such United States inventors must confront their own public disclosures as prior art, regardless of the geographic location of the disclosure. Foreign inventors seeking United States patents, in contrast, need only confront their public uses and sales as anticipations if those event occurred in this country. See *supra*, n.23. This same consideration offsets to some degree the advantage that United States inventors enjoy domestically under section 104. See *supra*, n.25.

<sup>51</sup> The international imposition of a facially neutral grace period provision may affect the national interests of certain countries. The use of a grace period advantages those who originate public disclosures of new technology, at the expense of those who receive such disclosures. Particular countries in which the former activity predominates over the latter, *i.e.*, those countries that tend to be "leaders" in new technology, arguably stand to benefit over countries that tend to be followers. This mechanism may explain, for example, the disagreement between Germany and other countries in Europe over the grace period provisions in the Patent Harmonization Treaty. See generally Bardehle, 1991 Indus. Prop. at 372.

It would appear to be difficult to rely on this mechanism to guide the formation of policy, however. For example, the effects of this mechanism depend on economic conditions that presumably will change in a given country over time, thus possibly causing what was a net benefit to become a net cost. Originators of new technology may curtail their public disclosures if the protection of a grace period is absent. In addition, the imposition of a grace period may affect various segments within a given country unequally. Specifically, a grace period will naturally favor those entities that possess leading technology. See *infra*, n.106.

quately for the proposed change in the United States to first-to-file priority.<sup>52</sup>

Prior-user rights provide another example. Current proposals have the United States adopting prior-user rights only as part of a harmonization package.<sup>53</sup> Prior-user rights, however, shift economic returns away from the patent owner to the prior user.<sup>54</sup> They would exist in favor of United States nationals primarily, inasmuch as they are created only by *domestic* efforts to commercialize.<sup>55</sup> Current statistics show, at the same time, that a substantial percentage of United States patentees are foreign entities.<sup>56</sup> Adopting prior-user rights in the United States will therefore shift economic returns from a category

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52 This analysis suggests that the eagerness of some countries for harmonization may not be a source of comfort to the U.S. From a nationalistic viewpoint, the costs and benefits of harmonization may appear quite different to those outside the U.S. *See, e.g., FICPI Position Paper*, at 1 (describing the elimination from United States patent law of "bias in favour of residents of the U.S." as "[a]n attractive result of universal acceptance" of the treaty); Penrose, at 117-18, 125 (arguing that availability of foreign patent protection is more important to smaller, rather than larger industrialized countries due to the lack of a domestic market of sufficient size to yield adequate profits).

53 *E.g., Basic Proposal*, art. 20, WIPO Doc. No. PLT/DC/3, at 41 ("Prior User"); S. 2605, § 3(b) (adding new section 273, entitled "Rights based on prior use," to Title 35, U.S.C.). Both these documents also contain provisions that would install a first-to-file rationale of priority.

54 In general, the term "prior user" refers to one who has begun to utilize a technological advance prior to some significant event in the process of another person obtaining patent rights over the advance. The potential prior user's status can be judged, for example, as of the date the patent owner's application is filed, published, or issued. Some have argued that prior user rights can be determined as of the patent owner's date of invention. Persons who qualify as prior users generally obtain limited rights to continue using the patented advance during the term of the patent, regardless of whether the patent owner consents. *See generally* 1988 Group Reports of the Association Internationale Pour la Protection de la Propriete Industrielle [AIPPI], no. V (question 89D—prior use).

55 The Patent Harmonization Treaty calls for prior-users rights based upon use "within the territory where the patent produces its effect." *Basic Proposal*, art. 20(1), WIPO Doc. No. PLT/DC/3, at 41. The pending legislation before Congress would grant prior-user rights only to those whose use was "in the United States." *E.g., S. 2605, § 3(b)* (proposing new 35 U.S.C. § 273(a)). This national focus corresponds to nearly identical provisions in the national laws of other countries. *E.g., German Patent Act of December 16, 1980, § 12(1), translation reprinted in* Beier, F.K., *German Industrial Property, Copyright, and Antitrust Laws*, 6 IIC Studies 14, 17 (1983).

56 USPTO, Patents Issued by the Patent and Trademark Office, U.S. Dept. of Commerce News Release No. 92-1 (Feb. 14, 1992) (reporting that residents of foreign countries obtained 45% of the United States patents issued in 1991). *See also* Kaufer, at 16 (discussing steep rise in foreign ownership of U.S. patents over time). In Japan, in contrast, the percentage of patents owned by foreign nationals actually decreased by nearly half from 1967 to 1980. Kaufer, at 17. Recent evidence suggests that trend toward increasing foreign patenting in the United States may have reversed. Buderer, R., *Global Innovation: Who's in the Lead*, *Business Week*, August 3, 1992, at 68.

For discussions of the effect of increasing domestic patenting by foreigners on domestic patent policy decisions, *see generally, e.g., Patent Study No. 5*, at 4; Greer, 8 *J. of Int'l. L. & Econ.*, at 228-30.

of persons with a substantial foreign character to one with an almost entirely United States character. Perfecting the present United States patent system according to the present consensus might therefore involve adopting prior-user rights independent of any change in the basis of priority.

## II. THE WIPO NEGOTIATIONS

Until the recent introduction of legislation before Congress,<sup>57</sup> the United States has addressed harmonization largely through multilateral negotiations before WIPO.<sup>58</sup> Those negotiations have been wide ranging and comprehensive.<sup>59</sup> At the same time, limited numbers of persons have participated in them on behalf of the U.S.<sup>60</sup>

In reality, then, the WIPO negotiations have combined some of the worst features of both the common-law and legislative systems of lawmaking. The harmonization effort is addressing essentially the whole law of patents simultaneously, divorced from any particular factual setting. It therefore carries with it few of the guarantees of quality that stem from the incremental, gradual lawmaking that is characteristic of case-law development.<sup>61</sup> At the same time, this cost has not been associated with an important, offsetting benefit of legislative efforts: representative participation in and control over the lawmaking effort.<sup>62</sup> Thus, there are substantial reasons to view the harmonization lawmaking efforts within WIPO skeptically.

Comparing the patent harmonization effort with the recent effort of the American Law Institute to restate the American law of unfair

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<sup>57</sup> See *supra*, n.6.

<sup>58</sup> International standards for the protection of intellectual property have also been discussed in both the Tokyo and Uruguay Rounds of the GATT negotiations. See generally, e.g., Richards, John, *Trade Related Intellectual Property Issues (TRIPS)*, 72 JPTOS 906 (1990) (hereinafter "Richards"); Stamm, O.A., *GATT Negotiations for the Protection of New Technologies*, 73 JPTOS 680 (1991); *Symposium, Trade Related Aspects of Intellectual Property*, pts. 1 & 2, 22 Vand. J. Transnat'l. L. 223, 689 (1989); Beier, F.K. and Schriker, G., *Gatt or WIPO? New Ways in the International Protection of Intellectual Property*, 11 IIC Studies (1991). The GATT negotiations are currently at an impasse.

<sup>59</sup> The treaty addresses, for example, such substantive matters as the criteria for validity and infringement, as well as remedies. In addition, it also addresses such questions as examination procedures and unity of invention.

<sup>60</sup> See the text *infra*, at nn.86-105.

<sup>61</sup> See, e.g., Llewellyn, Karl N., *The Case Law System in America*, 14-16 (1989) (translation of German-language edition of 1933); Cardozo, Benjamin, *The Nature of the Judicial Process*, 29-31 (1921).

<sup>62</sup> See, e.g., Pound, R., *Common Law and Legislation*, 21 Harv. L. Rev. 383, 403-07 (1908); Cappelletti, Mauro, *The Judicial Process in Comparative Perspective*, 40-46 (1989) (discussing criticism that common law is "undemocratic").

competition illustrates these points. The ALI is a private, nonprofit organization that exists for the purpose of “promot[ing] the clarification and simplification of the law.”<sup>63</sup> As part of its work, it has written and published the various volumes of the First and Second Restatements of the Law. It is currently preparing the Third Restatement of the Law, which includes for the first time a separate work on the law of unfair competition, including trademarks (hereinafter the “Restatement of Unfair Competition”).<sup>64</sup>

The WIPO negotiations are different from the ALI’s restatement efforts in at least two fundamental ways. First, the Restatement of Unfair Competition is a far more modest exercise in lawmaking than is the Patent Harmonization Treaty. The ALI’s Restatements articulate *existing* law. Typically, they either describe settled law or choose between alternative legal rules where there is a split of authority.<sup>65</sup> The Restatements therefore map a landscape of legal rules whose contours are already largely understood. The WIPO negotiations, in contrast, are designing a *new* law of patents. The WIPO negotiations, in contrast, are designing a *new* law of patents. The United States has never operated under many of the legal rules that the Patent Harmonization Treaty prescribes. We are therefore not selecting be-

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63 Certificate of Incorporation of the American Law Institute, Dist. Colum. Feb. 23, 1923, reprinted in, e.g., 1992 ALI Annual Report 61. For discussions of the American Law Institute generally, see, e.g., N.E.H. Hull, *Restatement and Reform: A New Perspective on the Origins of the American Law Institute*, 8 L. & Hist. Rev. 56 (1990) and the sources cited therein.

64 To date, the ALI has produced three Tentative Drafts of the Restatement of Unfair Competition. Tentative Draft No. 1, (April 12, 1988), Tentative Draft No. 2, (March 23, 1990), Tentative Draft No. 3, (March 22, 1991). The full membership of the ALI is expected to consider the fourth and final Tentative Draft at the ALI’s annual meeting in 1993.

For general discussion of the Restatement of Unfair Competition, see Perlman, Harvey S., *The Restatement of the Law of Unfair Competition: A Work in Progress*, 80 Trademark Rep. 461 (1990) (hereinafter “Perlman”); and Edelman, Sandra, *Restatement of the Law of Trademarks: A Review*, 81 Trademark Rep. 554 (1991) (hereinafter “Edelman”).

65 See, e.g., Perlman, 80 Trademark Rep. at 463 (“The selection of those cases to restate and the synthesis of disparate decisions gives some leeway at the margin to influence rather than to merely report the state of the law. Although the Reporters have considerable discretion in formulating drafts, the process functions, nonetheless, to keep the Restatements close to, but not always within, the mainstream of judicial decisions.”).

Examples of such choices include the ALI’s decision not to adopt the “New York Rule” with regard to the need to prove secondary meaning, see Restatement of Unfair Competition, § 13 (Tentative Draft No. 2), and the decision to include fair use as a separate defense to infringement. See *id.* at § 28 (Tentative Draft No. 3). See generally, Edelman, 81 Trademark Rep. 554.

tween alternatives whose consequences are known.<sup>66</sup> Instead, we are speculating about the consequences of legal rules that we have yet to apply.<sup>67</sup>

Second, the ALI is a private organization.<sup>68</sup> Its Restatements are consequently works of private authorship.<sup>69</sup> They have no official status, even after the full membership of the ALI approves of them. Thus, while an individual court may find a Restatement persuasive on a given point, every court is free to reject all or a part of a Restatement's assertions about the law.

The Patent Harmonization Treaty, in contrast, is being designed to have an official status. Once the treaty is signed and ratified, the United States will be required to enact legislation that will change its

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<sup>66</sup> It is true that many of the legal rules in the current text of the Patent Harmonization Treaty that would be new to the United States nevertheless find precedent individually in the patent systems of various foreign countries. The treaty, however, sets forth a "hybrid" patent system comprised of rules borrowed from various national patent systems. It is almost certainly true, therefore, that the assemblage of legal rules set forth in the treaty has never before governed the patent system of any single country. As a result, the manner, if any, in which the rules interrelate is largely unexplored.

More fundamentally, the use of foreign patent-law precedents as a basis for lawmaking in this country necessarily raises all the uncertainties of the sociological and psychological components of law have been discussed widely in connection with comparative law generally. See, e.g., Zweigert and Koetz, *Introduction to Comparative Law*, 8-12 (1987); Grossfeld, *The Strength and Weakness of Comparative Law*, 71-74 (1990); Volkman-Schluck, Thomas, *Continental European Criminal Procedures: True or Illusory Model?*, 9 *Am. J. Crim. L.* 1, 3-6 (1981); Yntema, Hessel, *Comparative Law and Humanism*, 7 *Am. J. Comp. L.* 493 (1958); Pound, Roscoe, *Comparative Law in Space and Time*, 4 *Am. J. Comp. L.* 70 (1955). It would be almost necessarily false, for example, to describe all the differences in inventive activity between countries as effects of the countries' respective patent systems. Cf., e.g., Helfgott, S., *Cultural Differences Between the U.S. and Japanese Patent Systems*, 72 *JPTOS* 231 (1990); Rines, R., *Some Areas of Basic Difference Between United States Patent Law and the Rest That of the Rest of the World—And Why*, 28 *Idea*, 5 (1987). Once this is admitted, identifying specific cause-and-effect relationships in foreign patent systems and evaluating whether those relationships would apply to the United States becomes extremely problematic.

<sup>67</sup> See, e.g., Patent Study No. 5, at 5 ("We plunge into this analysis [of the proper rules for an international patent system] with one major misgiving. Policy toward the international patent system turns heavily on an appraisal of its economic impact, and much of the data needed in order to consider this impact objectively is lacking or inadequate. Although information exists with respect to the system, its value is limited either because of its subjective and impressionistic nature or because of the unrepresentative character of the situations that it covers. The generalizations of businessmen based upon their personal experiences; the isolated illustrations accidentally brought to light in one context or another; . . . , though valuable, are too limited to test the validity of broad generalizations.").

<sup>68</sup> See, e.g., the Certificate of Incorporation and Bylaws of the American Law Institute, reprinted in, e.g., 1990 ALI Annual Report, 61, 63.

<sup>69</sup> See generally, e.g., David, Rene, *Major Legal Systems of the World Today*, 404-06 (2d ed. 1978).

law of patents to conform to the treaty's provisions.<sup>70</sup> Even before that time, once the treaty is finalized by WIPO its terms will be inalterable—the choice will be either to ratify or to reject the treaty as a whole. There will be no means of changing individual provisions that are viewed as troublesome.

Both of these fundamental differences suggest that the United States should be using even greater care to negotiate the Patent Harmonization Treaty than the ALI has used to prepare its Restatement. Because the task of patent harmonization involves creating new law, it is by necessity much more uncertain and prone to error. At the same time, the negative consequences of our failing to select the proper rules are potentially much greater. We will not be allowed to ignore any improvident selections of law. Instead, our guesswork concerning an optimal patent system will be cast in the stone of a binding multilateral agreement. Correcting our mistakes will not be a matter of domestic legislation only. Rather, it will require us to undertake the difficult and uncertain task of developing a consensus in the international community.<sup>71</sup>

Despite these suggestions, there are disturbing indications that we have approached the WIPO negotiations with significantly less care than the ALI gives a typical effort at restatement. The ALI succinctly describes its procedure for arriving at a Restatement of the Law on the inside front cover of each each of its Tentative Drafts:

Each portion of an Institute Project [including Restatement efforts] is submitted initially for review to the Project's Consultants or Advisers as a Memorandum, Preliminary Draft, or Advisory Group Draft. As revised, it is then submitted to the council of the Institute in the form of a Council Draft. After review by the Council, it is submitted as a Tentative Draft, Discussion Draft, or Proposed Official Draft for consideration by the membership at the Institute's Annual Meeting. At

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<sup>70</sup> In general, under United States law treaties are either self-enforcing or require the passage of enabling legislation to be given effect. The Paris Convention has been held to be not self-enforcing. *Cameron Septic Tank Co. v. Knoxville*, 227 U.S. 39 (1913). In its present form the Patent Harmonization Treaty would appear to require the passage of enabling legislation.

<sup>71</sup> See, e.g., David, Rene, *The International Unification of Private Law*, 2 *International Encyclopedia of Comparative Law*, ch. 5 at 120-22 ("Periodic revision [of international uniform-law agreements] is likely to remain a matter of theory if it requires calling a special international conference, as it is only with much difficulty and reluctance that the slow and costly machinery of such conferences is put into motion, and there can be no question of using it to deal with minor difficulties."). The Paris Convention, for example, has been revised on only seven occasions since its origination in 1883.

each stage of the reviewing process, a Draft may be referred back for revision and resubmission.<sup>72</sup>

Under the ALI's procedures, then, four separate bodies review each Restatement. The project is initially entrusted to a small number of persons, known as Reporters, who conduct the original research.<sup>73</sup> The Reporters also write the initial version of the Restatement, which is called a Preliminary Draft.<sup>74</sup> The Reporters then submit the Preliminary Draft simultaneously to two separate bodies: the Advisors and the Members Consultative Group. The Advisors are individuals "with substantial expertise and authority" in the particular field under consideration who the ALI selects to assist the Reporters.<sup>75</sup> They are often not members of the ALI. The Members Consultative Group consists of members of the ALI who have indicated an interest in the particular restatement project.<sup>76</sup> After receiving input from these two groups, the Reporters prepare a Council Draft, which they submit to the Council of the ALI.<sup>77</sup> If authorized by the Council, the Reporters then prepare a Tentative Draft, which the general membership considers and votes upon at the ALI's annual meetings.<sup>78</sup> The project does not become a true Restatement of the ALI until the general membership votes its approval.<sup>79</sup>

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<sup>72</sup> *E.g.*, Tentative Draft No. 1. *Accord*, Perlman, 80 Trademark Rep. at 462-463. The ALI's Rules of the Council (hereinafter "Council Rules") describe aspects of the process at sections V and VI. *See, e.g.*, 1992 ALI Annual Report at 68, 73-74. The ALI's process of arriving at its restatements is also discussed generally in *Report of the Committee on the Establishment of a Permanent Organization for the Improvement of the Law Proposing the Establishment of an American Law Institute*, 1 ALI Proceedings, part I, at 48-56 (1923) (hereinafter "*Report on the Establishment of the ALI*").

<sup>73</sup> *E.g.*, Council Rule V. 1 ("Each project of the Institute shall be in charge of a reporter or reporters employed by the Director [of the ALI] with the approval of the Council or the Executive Committee.").

<sup>74</sup> Perlman, 80 Trademark Rep. at 462.

<sup>75</sup> *Id.*

<sup>76</sup> *See id.*

<sup>77</sup> *See* ALI Council Rule VI.1 ("Material intended for publication shall first be submitted to the Council . . ."); Perlman, 80 Trademark Rep. at 463.

The Council of the ALI functions approximately as the ALI's board of directors. *See* ALI Bylaws, at III.1, 1992 ALI Annual Report at 65. It is a group of about forty-two members elected from the general membership. ALI Bylaws, at III.2, 1992 ALI Annual Report at 65.

<sup>78</sup> *E.g.*, Perlman, 80 Trademark Rep. at 463. The ALI publishes transcripts of these debates in its serial set, ALI Proceedings.

<sup>79</sup> *See, e.g.*, ALI Bylaws, V.1, 1992 ALI Annual Report at 66 ("No restatement . . . shall be published as representing the position of the Institute unless authorized by the membership of the Institute and approved by the Council.").

The process of arriving at the Patent Harmonization Treaty has been quite different.<sup>80</sup> The International Bureau of WIPO prepared the draft texts of the treaty and the accompanying regulations, as well as the reports pertaining thereto.<sup>81</sup> In that sense, it has functioned similarly to the Reporters of a Restatement. The International Bureau, however, has presented those drafts for review to one body only — the Committee of Experts.<sup>82</sup> The process of arriving at the Patent Harmonization Treaty has therefore lacked the sort of multi-tiered review to which the ALI subjects its restatement efforts. One can suspect, then, that the Patent Harmonization Treaty has not been subjected to as rigorous or as varied a review as might have been the case otherwise.

The characteristics of the parties that have been involved in the WIPO negotiations also give rise to concerns. For example, the ALI typically appoints as Reporters United States lawyers, and the Restatements attempt to describe only the law that is appropriate for this country. The International Bureau of WIPO, in contrast, is a continuation of the former United International Bureau for the Protection of Industrial, Literary and Artistic Property, which was known under its French acronym of BIRPI.<sup>83</sup> While not necessarily hostile to United States interests, it is not concerned *per se* with promoting the national

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<sup>80</sup> *WIPO History*, WIPO Doc. No. PLT/DC/5, presents a summary of the process of arriving at the Patent Harmonization Treaty. For general descriptions of WIPO's processes for negotiating the Patent Harmonization Treaty, see Fryer III, 72 JPTOS at 244-47; Remarks of Ludwig Baeumer at the AIPLA Spring-States Meeting (May 2, 1991) 1991 AIPLA Bull. 630-33 (July-Sept.).

<sup>81</sup> *WIPO History*, WIPO Doc. No. PLT/DC/5, at par. 15.

<sup>82</sup> See generally *id.* Strictly speaking, the final meeting before WIPO was a diplomatic conference of the Paris Union, and not a meeting of the Committee of Experts. See *supra*, n.4. The identity of the persons who participated on behalf of United States interests did not change substantially, however, see *infra*, nn.86-103, and so the diplomatic conference cannot be considered a separate level of review.

<sup>83</sup> See, e.g., *Report on the Work of Main Committee V*, at 126. For discussions of WIPO generally, see, e.g., Ulmer, 14 International Encyclopedia of Comparative Law, ch. 1, at 10; David, 2 International Encyclopedia of Comparative Law, ch. 5, at 173-74.

interests of any country in particular.<sup>84</sup> It seems safe to assume that the International Bureau did not draft the Patent Harmonization Treaty with the goal of creating legal rules that would be optimal specifically for the United States.<sup>85</sup> By default, then, the task of ensuring that the terms of the treaty are appropriate for the United States has fallen on a single group of persons — those persons who have attended the WIPO meetings either as members of an official delegation of the United States or a private organization with a primarily United-States character.<sup>86</sup>

There are disturbing implications that this group of U.S. experts<sup>87</sup> has been significantly less qualified to be law-makers than the various ALI groups have been. It is axiomatic, in a society that values representative decisionmaking, that the legitimacy of a lawmaking effort

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84 Article 3 of the *WIPO Convention*, for example, states:

**Objectives of the Organization**

The objectives of the Organization are:

- (i) to promote the protection of intellectual property throughout the world through cooperation among states and, where appropriate, in collaboration with any other international organization,
- (ii) to ensure administrative cooperation among the [Paris and Berne] Unions.

Leaffer, at 567. Given this mandate, WIPO's interests may be generally adverse to the purely national interests of any country, to the extent that those national interests do not coincide with a free-trade approach to protecting intellectual property. Cf. Penrose, at 109 ("The potential costs and gains associated with an international extension of the patent system will be evaluated differently by countries in different economic positions, and still differently if one looks at them from the point of view of the world as a whole.").

85 In contrast, "a reporter [of the ALI] . . . must stand out to the country as generally recognized among members of the legal profession as having profound knowledge of [the] subject [under consideration]." William Draper Lewis, Remarks at the Opening Session of the ALI, reprinted in *Account of the Proceedings of the Organization of the Institute on February 23, 1923*, 1 ALI Proceedings, pt. II, at 60 (1923) (hereinafter "Remarks of William Lewis"). The national focus of the work of the ALI's reporters is necessarily implicit in the ALI's lawmaking efforts.

86 The Notes in Industrial Property, *supra*, n.4, list the persons who attended each meeting of experts. *WIPO History*, WIPO Doc. No. PLT/DC/5, summarizes the participation by organizations in the meetings. The organizations represented at the WIPO negotiations that this article considers to have "a primarily United States character" are the American Bar Association (ABA), the American Intellectual Property Law Association (AIPLA), the Center for Advanced Study and Research on Intellectual Property (CASRIP), Intellectual Property Owners, Inc. (IPO), and the New York Patent, Trademark and Copyright Law Association (NYPTCLA). The large majority of the persons who attended the WIPO meetings did not represent United States interests.

87 Readers should be aware that this article uses the term "U.S. expert" differently than does WIPO. WIPO uses the term to refer only to those persons who have attended as members of an official delegation of the U.S. Government. Although mechanisms do exist for including private individuals in the official negotiating delegations of the United States, see Public Notice No. 655, 44 Fed. Reg. 17846 (March 23, 1979), the PTO has generally not used this mechanism to supplement the official delegations of the United States to the various WIPO meetings. See *infra*, n.103. The PTO is believed to have largely foregone use of this mechanism in the general hope that concerned individuals and groups would attend the WIPO meetings independently.

depends at least in part on how widespread the participation in that effort has been.<sup>88</sup> The founders of the ALI recognized this explicitly.<sup>89</sup> As a result, the ALI includes members of diverse elements of the legal profession within the various bodies that review its Restatement efforts.

The ALI's effort to create the Restatement of Unfair Competition illustrates this commitment. The ALI commissioned the creation of the Restatement of Unfair Competition in 1987.<sup>90</sup> It selected as Reporter for the project Robert Denicola, Professor of Law at the University of Nebraska.<sup>91</sup> In addition, the ALI designated 19 persons to act as Advisers to the effort.<sup>92</sup> That group included not only leading members of the practicing bar knowledgeable in the field of unfair competition,<sup>93</sup> but also seven law school professors prominent in the area.<sup>94</sup> In addition, it included Judges Newman and Oakes of the United States Court of Appeals for the Second Circuit, and then-Judge, now Chief Judge Nies of the Federal Circuit. An additional 37 lawyers, judges and academics formed the effort's Members Consultative Group.<sup>95</sup> The Council of the ALI consists of approximately 50 persons,<sup>96</sup> while the ALI itself has approximately 2,500 members.<sup>97</sup>

The U.S. experts who have appeared before WIPO, in contrast, have been far less representative. A very large majority of those persons have been either employees of the PTO or patent attorneys practising in corporations or large private law firms. Only three have

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<sup>88</sup> See, e.g., the sources cited *supra*, n.62.

<sup>89</sup> See, e.g., *Report on the Establishment of the ALI*, 1 ALI Proceedings, part I, at 29-40 (“[A]ny restatement of the law to acquire authority necessary to enable it to accomplish results of importance, must be undertaken by an organization representative of all branches of the legal profession. . . . No existing legal organization has the[se] characteristics . . .”).

<sup>90</sup> E.g., Perlman, 80 Trademark Rep. at 464; Edelman, 81 Trademark Rep. at 554.

<sup>91</sup> Perlman, 80 Trademark Rep. at 464.

<sup>92</sup> Tentative Draft No. 1.

<sup>93</sup> Included, for example, were Jerome Gilson, author of the multiple-volume treatise *Trademark Protection and Practice* (1992), and William M. Borchard, author of *Trademarks and the Arts* (1989).

<sup>94</sup> They were, in alphabetical order, Ralph S. Brown, Yale Law School; Benjamin Kaplan, Harvard University Law School; Edmund Kitch, University of Virginia School of Law; David Lange, Duke University School of Law; J. Thomas McCarthy, University of San Francisco Law School; Harvey S. Perlman, Nebraska College of Law; and Charles Alan Wright, University of Texas School of Law.

<sup>95</sup> Tentative Draft No. 1.

<sup>96</sup> Perlman, 80 Trademark Rep. at 463.

<sup>97</sup> ALI Bylaws II.2, 1992 ALI Annual Report at 63.

been academics.<sup>98</sup> Not one has been a member of the Judiciary. In fact, a combined total of only fifty-five U.S. experts of any sort have participated in the twelve WIPO meetings.<sup>99</sup>

One can also wonder how effective these experts have been. Common sense suggests that a person will be of more assistance to a lawmaking effort if his or her participation in the effort has been consistent.<sup>100</sup> Stated negatively, a person's ability to affect the outcome of the effort should be smaller if that person's participation has been limited. Where the subject matter under consideration is complex, and therefore more difficult to grasp, the correlation should be stronger.

The ALI effort appears to fare well by this criterion. By March 22, 1991, when the ALI issued Tentative Draft No. 3 of the Restatement, the number of Advisors to the project had grown to 25 and the number of Consultative Members had grown to 106.<sup>101</sup> More significantly, not a single one of the original Advisors had left the

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98 Donald Chisum, Professor, University of Washington; Albert Tramposch, Associate Professor, John Marshall Law School; William Hennessey, Professor, Franklin Pierce Law Center. William Fryer III, Professor, University of Baltimore School of Law, is reported to have attended 4 WIPO meetings, but as a representative of an international interest group rather than one with a primarily United-States focus.

99 These statistics and those in the immediately following discussion have been compiled from the Notes published in *Industrial Property*. See *supra*, n.4.

It appears, in addition, that meaningful participation in the WIPO negotiations has not extended very far beyond this small group. WIPO's Committee of Experts met from July 1985 to November 1990 at an average of once every five months. See Kirk, 50 Albany L.J. at 605 (describing WIPO as "pushing" the harmonization negotiations "on a fast track"). The Committee appears to have set the topics for each meeting no earlier than the preceding meeting. See, e.g., *Note on the Third Session*, 1997 Indus. Prop. at 207-08; *Note on the Fourth Session*, 1988 Indus. Prop. at 183, 185-186; *Note on the Second Part of the Fifth Session*, 1989 Indus. Prop. at 59-60, 62. WIPO's International Bureau, moreover, which acted as Secretariat at the negotiations, often did not publish summaries of meetings for 2-3 months. See generally the Notes of the WIPO meetings published in *Industrial Property*, cited *supra*, n.4. It therefore would have been extremely difficult, if not outright impossible, for the United States interest groups to formulate any consensus on the relevant issues in time for each meeting, or even to meaningfully inform their constituencies. See, e.g., Minutes of the 1991 Midwinter Meeting of the Council of the ABA Section of Patent, Trademark and Copyright Law, ABA-PTC, 1990-91 Annual Report, 23, 25 (reporting statement by William Brunet that the short time period between WIPO's issuance of the draft treaty and the scheduled beginning of the diplomatic conference "presents a timing problem"); Fryer III, 72 JPTOS at 246 (noting lack of time to prepare for WIPO meeting and need for interest groups to act "immediately"). It appears, in fact, that the International Bureau of WIPO at times placed items on the agenda for a meeting and issued explanatory reports only *after* the conclusion of the last preceding meeting. See, e.g., *Note on the Second Session*, 1986 Indus. Prop. at 311;

100 See, e.g., Statement of William Lewis, 1 ALI Proceedings, part II, at 60-61 (emphasizing need for "systematic and regular attendance" by participants in ALI restatement efforts).

101 Tentative Draft No. 3.

effort; all of the original members were still present.<sup>102</sup> Reports indicate that the attendance of individual Advisors at the ALI's meetings was extremely regular. Meetings reportedly drew over 80% attendance, and a majority of the Advisors have attended every meeting.

The attendance of individual U.S. experts at the WIPO negotiations, in contrast, has been sporadic rather than regular. On average, only 12.7 U.S. experts were present at each WIPO meeting. Thus, the average representative of United States interests attended only 2.8 of the 12 WIPO meetings. The pattern is even more pronounced when the participation of employees of the PTO are excluded from the calculations.<sup>103</sup> Forty-one such non-PTO experts have attended the WIPO meetings,<sup>104</sup> thus presenting an average attendance of only 8.4 experts per meeting and 2.5 meetings per expert.<sup>105</sup> No single U.S. expert, whether associated with the PTO or not, is reported to have attended all the WIPO meetings. In fact, all but seven U.S. experts are reported to have each attended less than half of the WIPO meetings.

All of this raises important questions about the WIPO negotiations. As a group, for example, our representatives may have been

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<sup>102</sup> One Advisor, Professor Perlman, was named a second Reporter and therefore relinquished his assignment as an Advisor.

<sup>103</sup> The statistics reported in the text at this point assume that all members of the official delegations of the United States to the various meetings of the Committee of Experts were employees of the PTO. This is not entirely correct. Reportedly, some of the persons who attended as part of these official delegations were not PTO employees. *Statement of Manbeck, supra*, n.4 (asserting that private sector representatives and two congressional staff members were included in official delegations of the United States). The PTO, however, is not known to have published statements detailing the identity of the various participants in the delegations. *See supra*, n.87. The Notes in Industrial Property identify the participants at each meeting of the Committee of Experts by name, but not title. The Note concerning the Diplomatic Conference does identify the attendees by title, and so it has been possible to separate the PTO and non-PTO employees in that group individually.

In any event, the significance of this difficulty appears to be minimal, as five PTO employees were responsible for a strong majority of appearances in the official delegations. (Of the 51 total official appearances at the meetings that are not known to involve non-PTO employees, 36 appearances, or 71%, were attributable to these five employees.)

<sup>104</sup> This tabulation does not include the attendance of the Honorable Harry Manbeck, who attended one WIPO meeting as a private expert before being appointed Commissioner of Patents and Trademarks. Thereafter, he is reported to have attended two additional meetings in his capacity as Commissioner.

<sup>105</sup> Fourteen PTO experts appeared a total of 51 times, yielding an average attendance of 4.3 PTO experts per meeting and 3.6 meetings per PTO expert.

In fact, the actual attendance rates may be even more disparate, as the non-PTO experts from the United States are reported to have seldom attended entire meetings. Fryer III, 72 JPTOS at 244.

too alike to bring a varied expertise to bear. One can legitimately wonder, moreover, whether they have attended consistently enough to be effective. In short, the Patent Harmonization Treaty may not be the work of the most qualified set of lawmakers we might have provided.

Additionally, it is entirely possible that optimizing our patent system requires more than balancing the needs of corporations, the PTO, and patent attorneys from large law firms.<sup>106</sup> Laws derive their authority from a consensus among all members of society. Yet, only limited constituencies have participated before WIPO.<sup>107</sup> The WIPO negotiations may therefore be exceeding the consensus in this country that actually exists concerning harmonization, rendering the effort socially invalid.<sup>108</sup>

### III. LEGISLATING HARMONIZATION

Congress' recent introduction of legislation<sup>109</sup> may open the process of patent harmonization and alleviate some of these difficulties. Through hearings and other input, a wider range of persons may be able to participate in the law-making effort. The proceedings will also be more widely available to the United States public, thus making the process more visible in this country. Perhaps most importantly, the issues are now clearly in the hands of accountable decisionmakers.

This same step, however, may have exacerbated concerns over another fundamental aspect of harmonization. Congress' introduction

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<sup>106</sup> See, e.g., Penrose, at 115 (describing as "defective" the use of "opinions of business men, patent agents, and other interested persons" as the basis for determining optimal protection of foreign patentees). Arguably, since the country as a whole provides the increased wealth that patents transfer to their owners, *see supra*, n.28, considering only the interests of patent holders is necessarily incomplete. As another example, large users of the patent system may stand to receive disproportionately larger benefits from some proposed provisions of the Patent Harmonization Treaty than will the country as a whole. See, e.g., *infra*, n.51 (discussing grace period as example).

<sup>107</sup> At the very least, the pattern of participation by U.S. experts in the WIPO negotiations suggests that the PTO has had a large, if not dominant, role in representing U.S. interests there. See Remarks of Kirk, 1991 AIPLA Bull., at 442-43 (noting lack of input to the PTO from other sources prior to the diplomatic conference). The PTO, however, is itself an agency with inherently limited perspective and expertise. See generally Moy, *Judicial Deference to the PTO's Interpretations of the Patent Law*, 74 JPTOS 406, 426-35 (1992) and sources cited therein. It may be particularly unwise to rely upon that agency's judgments as to how the interests of the United States should be best protected. The PTO itself seems to appreciate this implicit limitation on its negotiating authority. Remarks of Kirk, 1991 AIPLA Bull. at 442-43.

<sup>108</sup> The recent difficulties of the European Community with ratification of the Treaty of Maastricht may provide another example of a treaty negotiation whose course has exceeded its underlying social mandate. See *infra*, n.138.

<sup>109</sup> See *supra*, n.6.

of legislation has cemented the harmonization lawmaking effort in this country into a legislative, civil-law model and away from the model of common-law development. As presently contemplated, a harmonized set of United States patent laws will be created all at once, simultaneously, through essentially a single lawmaking effort.

The difficulty with this is that the United States has never before used such a mechanism to design its patent laws. Practically every major facet of United States patent law was developed with the aid of significant common-law input. For example, sections 102(a),<sup>110</sup> 102(e),<sup>111</sup> 102(g),<sup>112</sup> 103,<sup>113</sup> and 104<sup>114</sup> of Title 35 all essentially repeat legal rules whose contours were each originally explored through a series of case-law decisions over an extended period of time. Even the 1952 Patent Act<sup>115</sup> was largely an effort to restate, rather than recreate, the law of patents as it then existed.<sup>116</sup> Some important legal

110 The text of section 102(a) appears *supra*, n.23. Related case decisions include *Pennock v. Dialogue*, 27 U.S. 1 (1829); and *Gayler v. Wilder*, 51 U.S. 477 (1850). See generally 1 Chisum, Patents § 3.05. The early history of the novelty requirement stretches back to the colonial period and early European practice. See generally Bugbee.

111 Section 102(e) provides:

§ 102. Conditions for patentability; novelty and loss of right to patent. A person shall be entitled to a patent unless-

...

(e) the invention was first described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent[.]

The prior caselaw decisions include *Alexander Milburn Co. v. Davis-Bournonville Co.*, 270 U.S. 390 (1926), and *Hazeltine v. Brenner*, 382 U.S. 252 (1965).

112 The text of section 102(g) appears *supra*, n.25. Related caselaw decisions include *Bedford v. Hunt*, 3 Fed. Cas. 37 (C.C.Mass. 1817) and *Sydean vs. Thoma*, 141 O.G. 866; 32 App. D.C. 362 (D.C. Ct. App. 1909). This area of the law can still be said to be under substantial development by caselaw. See, e.g., *Paulik v. Rizkalla*, 760 F.2d 1270 (Fed. Cir. 1985).

113 The first paragraph of section 103 reads as follows:

§ 103. Conditions for patentability; non-obvious subject-matter

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to one of ordinary skill in the art to which the subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Related court decisions include *Hotchkiss v. Greenwood*, 11 How. 258 (1851). See generally Kitch, E., *Graham v. John Deere Co.: New Standards for Patents*, 1966 S.Ct. Rev. 293.

114 See *supra*, nn.25, 27.

115 Act of July 19, 1952, Ch. 950, 66 Stat. 792.

116 See generally Federico, P.J., *Commentary on the New Patent Act*, at 6-10, reprinted in Title 35, U.S.C.A. (1954 ed.).

rules, such as the Doctrine of Equivalents,<sup>117</sup> have never even been codified at all.

Viewed historically, then, those who favor harmonization thus have taken upon themselves an enormous and unprecedented task: the instantaneous recreation of the U.S. patent system. Harmonization on the scale now being contemplated<sup>118</sup> will require us to discern and address a host of intricate, specific rules of substantive patent law. For example, would removing the territorial restrictions of Sections 102(g) and 104 also require us to delete the territorial restrictions in Sections 102(a) and 102(b)?<sup>119</sup> What will be the resulting effect of considering oral and public-use disclosures in foreign countries to be prior art?<sup>120</sup> What will be the impact of disregarding private offers for sale in determining novelty?<sup>121</sup> Do the economic arguments in favor of considering "secret" activities to be prior art outweigh the Europeans' desire to retain their current practice?<sup>122</sup> Can harmonization occur when the various countries that are part of the effort use radically different claiming theories in their national patent prac-

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117 See, e.g., *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605 (1950); and *Wilson Sporting Goods Co. v. David Geoffrey & Associates*, 904 F.2d 677 (Fed. Cir. 1990).

118 It may be worthwhile to note that the WIPO harmonization effort originated from other projects with much more modest goals than the far-reaching attempt at harmonization that is now embodied in the Patent Harmonization Treaty. According to WIPO, it grew out of a relatively simple effort to obtain an international agreement to include a grace period in national patent laws. *WIPO History*, WIPO Doc. No. PLT/DC/5, at par. 2-3. Officials of the PTO have asserted that it grew out of an effort to coordinate the operations of the patent offices of the United States, Japan, and Europe. See, e.g., Kirk, 50 Albany L. Rev. at 602.

119 See *supra*, n.25.

120 Resolution 102-8 of the ABA-PTC, reprinted in ABA-PTC, 1990-91 Annual Report, at 43, opposes the consideration of "non-patented and non-published foreign disclosures as prior art."

121 Under Article 11 of the Patent Harmonization Treaty, *Basic Proposal*, WIPO Doc. No. PLT/DC/3 at 21, confidential offers to sell would not destroy novelty. Report of William J. Brunet, Chair, Committee 102 (International Patent Treaties and Laws) to the Council of the ABA-PTC, Jan. 20, 1991, reprinted in ABA-PTC, 1990-91 Annual Report, 27. Resolution 102-7 of the ABA-PTC, reprinted in *id.* at 43, would oppose such a change.

122 An upcoming work by the present author will address the economic considerations involved in the treatment of "secret" events as prior art.

tices?<sup>123</sup> Is harmonization even a realistic outcome from a treaty that addresses only substantive patent law, and not the differing litigation and discovery practices of the various countries?<sup>124</sup> Given our historical use of common-law methods to develop consensus in patent law, we may simply be unable as a society to act properly on the specifics of harmonization via legislative mechanisms.

Recent evidence shows how difficult such action may be. One of the most recent legislative lawmaking efforts in United States patent law enhanced process-patent protection via the Patent Law Amendments of 1988.<sup>125</sup> Even this limited law-making action produced a set of provisions that are hugely complex, contradictory, and largely ineffective. Another recent legislative effort partially overturned *In re Bass*<sup>126</sup> via the Patent Law Amendments of 1984.<sup>127</sup> That effort inserted into Section 103 a second paragraph that excludes from the definition of "prior art" certain activities falling within the cri-

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123 National patent claiming practices generally are classified as either "central" or "peripheral." The United States' claiming practice is peripheral. *See generally, e.g.,* Deller, A.W., *Patent Claims*, §§ 5-10 (2d ed. 1971 & Supp. 1992) (hereinafter "Deller on Patent Claims"). Other countries, however, use central claiming practice to a greater degree than does the United States. *See, e.g.,* Tanabe & Wegner, *Japanese Patent Law*, pt. I, 58 JPOS 565 (1976). *Cf.* Protocol on the Interpretation of Article 69 of the European Patent Convention, Oct. 5, 1973, *reprinted in* Leaffer, at 169 (attempting to standardize European claiming practice as between extreme peripheral and central theories). The choice of claiming theory impacts the operation of various other legal doctrines of patent law, notably the doctrine of equivalents. *E.g.,* Deller on Patent Claims, at §§ 11-12; Wegner, *Equitable Equivalents: Weighing the Equities to Determine Patent Infringement in Biotechnology and Other Emerging Technologies*, 18 Rutgers Comp. & Tech. L.J. 1 (1992).

124 Article 2(3) of the Paris Convention expressly reserves "[t]he provisions of the laws of each countries of the Union relating to judicial and administrative procedure and to jurisdiction," Leaffer, at 21, and the Patent Harmonization Treaty contains no express provisions on such subjects. The practice in foreign countries regarding these matters, such as for example civil discovery practice, can be quite different from that in the United States. *E.g.,* Kaplan, von Mehren & Schaefer, *Phases of German Civil Procedure*, pt. I, 71 Harv. L. Rev. 1193, 1246-47 (1958) (discussing German civil discovery). The proposal of the United States in the now-stalled GATT negotiations did contain provisions relating to minimum discovery mechanisms in member countries. *See* Richards, 72 JPTOS at 921.

125 Process Patents Amendment Act of 1988, Pub. L. No. 418, 102 Stat. 1563, 1564-6, 100th Cong., 2d Sess. (1988). *See generally*, Law, Glenn, *Note: Liability Under the Process Patent Amendments Act of 1988 for the Use of the Patented Process Outside the United States*, 60 Geo. Wash. L. Rev. 245 (1991).

126 474 F.2d 1276 (CCPA 1973). Other related decisions are *In re Clemens*, 622 F.2d 1029 (CCPA 1980), and *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437 (Fed. Cir. 1984).

127 Patent Law Amendments Act of 1984, Pub. L. No. 622, § 103, 98 Stat. 3383, 3384, 98th Cong., 2d Sess. (1984).

teria of Sections 102(f) and 102(g).<sup>128</sup> In an omission that is conceptually unsound, however, the new paragraph makes no mention of activities defined by Section 102(e).<sup>129</sup> Another series of recent legislative efforts created the provisions in Title 35 that pertain to the extension of the terms of certain patents.<sup>130</sup> The Federal Circuit has already found them to have created a “windfall” for a particular class of patent owners “that was probably not contemplated by Congress.”<sup>131</sup> In addition, the Supreme Court has already been called upon to address an ambiguity in their language.<sup>132</sup>

On the whole, then, recent experience does not speak well of our ability to legislate rules of patent law. Observers can therefore be rightfully uncomfortable with efforts to make numerous, fundamental changes in the patent system of the United States rapidly via legislation.<sup>133</sup>

The prior experiences of other countries with patent-law harmonization, moreover, may not be a source of comfort to the United States. The most extensive experiment in patent-law harmonization to date has occurred in Western Europe, where a series of conventions have required member nations of the European Community to adopt

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128 That paragraph provides:

§ 103 Conditions for patentability; non-obvious subject matter

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Subject matter developed by another person, which qualifies as prior art only under subsection (f) or (g) of section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the invention was made, owned by the same person or subject to an obligation of assignment to the same person.

129 See generally *In re Bartfeld*, 925 F.2d 450 (Fed. Cir. 1991). The AIPLA has considered recommending that Congress amend the provision to include reference to section 102(e). Report of the Patent Law Committee at the 1990 AIPLA Midwinter Meeting, 1990 AIPLA Bull. 322 (Jan.-Mar.).

130 Drug Price Competition and Patent Term Restoration Act of 1984, Pub. L. 417, 98th Cong., 2d Sess., 98 Stat 1585 (1984), amended by the Generic Animal Drug and Patent Term Restoration Act, Pub. L. 670, 100th Cong., 2d Sess., 102 Stat. 3971 (1988).

131 *Hoechst Aktiengesellschaft v. Quigg*, 917 F.2d 522, 529 (Fed. Cir. 1990).

132 *Eli Lilly and Co. v. Medtronic, Inc.*, 496 U.S. 661 (1990) (addressing ambiguity in section 271(e)(1)).

133 Professor Malchup, for example, made the following observations after concluding that the overall economic consequences of the patent system were too difficult to quantify:

If one does not know whether a system “as a whole” (in contrast to certain features of it) is good or bad, the safest “policy conclusion” is to “muddle through”—either with it, if one has long lived with it, or without it, if one has long lived without it. It would be irresponsible, on the basis of our present knowledge of its economic consequences, to recommend instituting one. But since we have had a patent system for a long time, it would be irresponsible, on the basis of our present knowledge, to recommend abolishing it.

Patent Study No. 15, at 80. The same cautious approach is arguably wisest in evaluating whether to join the current harmonization effort.

uniform patent laws.<sup>134</sup> Nearly all these member countries, however, operate under systems of civil law.<sup>135</sup> They therefore have profoundly different values and habits with regard to law-making mechanisms than we do — values and habits that are aligned to the mechanisms of the current harmonization effort much more closely than are ours.<sup>136</sup> Legislating entire bodies of law at once is for them the norm, not the exception as it is in United States patent law.

Perhaps more importantly, the member nations of the EC have already made decisions in favor of internationalism that are much more fundamental and far-reaching than whether to harmonize their patent laws. They have broadly committed to the concept of free-trade within a single, European market,<sup>137</sup> and are adopting uniform

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134 Strassbourg Convention of 1963, *reprinted in* Jacob, app. C5 (requiring the adoption of similar rules of substantive patent law); European Patent Convention, *reprinted in* Leaffer, at 143 (creating single examination proceeding to obtain national patents in member countries); Community Patent Convention, *reprinted in* 1 Sweet & Maxwell, *Encyclopedia of United Kingdom & European Patent Law*, 5001 (1992) (not yet in force) (providing for single patent granting rights in all member countries). *See generally, e.g.*, Paterson, G., *The European Patent System*, 15-23 (1992) (hereinafter “Paterson”); Ulmer, 2 *International Encyclopedia of Comparative Law*, ch. 1, at 36-38.

135 Of the thirteen countries that are signatory to the EPC, for example, only the United Kingdom has a significant common law tradition.

136 For a general comparative discussion of law-making mechanisms in civil-law jurisdictions, *see, e.g.*, Dainow, Joseph, *The Civil Law and the Common Law: Some Points of Comparison*, 15 *Am. J. Comp. L.* 419, 424 (1966-67) (“Generally, in civil law jurisdictions the main source or basis of the law is legislation, and large areas are codified in a systematic manner. . . . Although in the form of statutes duly enacted by the proper legislative procedure, these codes are quite different from ordinary statutes. . . . A code is not a list of special rules for specific situations; it is, rather, a body of general principles carefully arranged and closely integrated. . . . A code purports to be comprehensive and to encompass the entire subject matter, not in the details but in the principles, and to provide answers for questions which may arise.”).

137 Treaty on Establishing the European Economic Community, as signed at Rome, 1957 (hereinafter the “Treaty of Rome”). The Treaty of Rome commits its members, for example, to allow goods, arts. 9-37, and persons, services and capital, arts. 48-70, to move freely between member countries.

Some in Europe have expressly recognized the relationship between these broader trade agreements and the harmonization of European patent laws. *See, e.g.*, Paterson, at 16 (noting that, prior to the formation of the Strassbourg Convention, “the existence of separate national patents for the same invention was seen as a mechanism whereby trade barriers could be maintained, contrary to the newly emerging European interest in a common market”).

laws in many subject-matter areas outside of patent law.<sup>138</sup> The United States, in contrast, has essentially none of these relationships with the countries that are potential parties to the current harmonization treaty.<sup>139</sup> There is room to wonder, therefore, what if any of the European experience with harmonization will apply to the United States under the current effort in WIPO.

#### IV. CONCLUSION

I suggest that at least some of the current resistance to harmonization is the result of two difficult, interrelated problems. The current efforts at harmonization are based on internationalist policy goals that the United States has not embraced. To harmonize we will therefore have to make changes to the basic legal rules of our patent system. More importantly, responsible lawmaking would seem to require that the adoption of harmonized legal rules follow, and be dependent on, the prior formation of a new social consensus as to the nature of the patent system in this country.

It is a serious question whether the current law-making processes of harmonization can create such a new consensus. The debate over harmonization needs to explicitly recognize the existence of much

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<sup>138</sup> The Treaty of Rome commits its members to cooperate in many areas, such as economic and monetary policy, arts. 102A-116, and social policy. Arts. 117-19.

It is interesting to note that the difficulties the Europeans are experiencing with deeper unification bear similarities to the law-making difficulties that are under discussion here. The governments of the twelve nations of the EC have signed the Maastricht Treaty on European Union, Treaty on European Union, as signed at Maastricht, Feb. 7, 1992. The Maastricht Treaty would provide for measures of unity well beyond free trade, such as a common currency and common defense. *Id.* The voters of Denmark, however, have recently refused to ratify the Maastricht Treaty, and popular sentiment for the treaty is reported to be weak in many European countries. See, e.g., Roger Cohen, *European Community Left Askew After Danes Say No to Integration*, N.Y. Times, June 4, 1992, at A1; Craig Whitney, *Denmark's Signal: A 'No' to Europe Points Up Anxieties on Sovereignty*, N.Y. Times, June 4, 1992, at A6. According to Cohen,

[m]uch of [the] criticism [of the treaty] surfaced only after the accord was reached in Maastricht. It appears that many of the European Community's 340 million citizens were unaware of what was in the treaty and the degree to which it represented a radical step toward union.

Certainly, many Danes complained before the vote, when the treaty was signed they had no idea what commitment their government was making.

N.Y. Times, June 4, 1992, at A6. *Accord, Make O'Break*, The Economist 56 (June 13, 1992) (noting among Irish voters the "widespread belief that the whole Maastricht process is undemocratic"); *Ratification*, The Economist, 48 (June 20, 1992); Alan Riding, *European Treaty Sponsors Have a Lot to Explain*.

<sup>139</sup> The United States entered into its first free-trade agreement, with Canada, in 1988. It has recently finished negotiating the second such agreement, the North American Free Trade Agreement, with Canada and Mexico. See, e.g., Bradsher, K., *Economic Accord Reached by U.S., Mexico and Canada Lowering Trade Barriers*, N.Y. Times, August 13, 1992. The NAFTA treaty has not yet been ratified, and its merits are subject to considerable debate within the United States.

broader, deeper questions than it yet has. More importantly, the very task of harmonizing United States patent law may be unsuited to multilateral treaty negotiations or other similar lawmaking mechanisms. Patent law in the United States is complex and textured. Fundamentally redesigning it all at once may simply be beyond our abilities. We may be unable to acquire the necessary expertise to recognize the many issues that are involved. Even if we can, moreover, we may still be unable to agree on how each of those issues should be resolved. In short, it may be impossible to subject each of the substantive issues in the current harmonization effort to a properly focused analysis.