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## Introduction

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# INTRODUCTION

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The articles in this symposium grapple with major contemporary issues in United States intellectual property law. The topics are significant: patent law protection for biotechnology; computer software protection; the *Dillon* decision's explication of prima facie obviousness of chemical inventions; trademark law's incontestability concept; the "file wrapper estoppel" doctrine's effect on claim scope; the *Stewart* decision on renewal copyright owner's rights as to use of authorized derivative works; and competition policy and intellectual property balanced in the joint venture context.

This Symposium demonstrates that intellectual property law is a growth industry in the United States and around the world. Increasing interest in copyrights, patents, trademarks and related areas is the culmination of major legal and economic events in the 1970's and 1980's, including: enactment of the long-awaited Copyright Revision Act of 1976; the energy crisis and erosion of the economic position of the United States among developed countries, both of which focused attention on the patent system, which is the traditional means of stimulating investment in research and development;<sup>1</sup> two new international patent conventions—the Patent Cooperation Treaty and the European Patent Convention; the opening of the People's Republic of China and other new markets with resulting questions concerning trademark protection and other industrial property rights; developing countries' demands for changes in the Paris Convention and for adoption of the code of conduct governing the licensing and transfer of technology to other economies by countries in the developed countries; establishment of the United States Court of Appeals for the Federal Circuit, with exclusive appellate jurisdiction over patent matters; negotiations on the international harmonization of patent law under the auspices of the World Intellectual Property Organization; trilateral discussions among the United States, Japan and European Patent Offices; focus by the General

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1. At no time has there been greater public expectation that the science and technology community will devise solutions to dietary, health, environmental, and other problems. It is to this community that the public and public officials look for the prevention or cure of heart disease, cancer and AIDS, for better biodegradable materials, for more efficient usage of energy, etc.

The clamor for new technology comes at a time when there is public resistance to higher taxes, which are necessary to support high levels of government spending on research and development. Universities and private firms increasingly must rely on private financing for both basic and applied research.

Agreement on Tariffs and Trade (GATT) on the trade-related aspects of intellectual property (TRIPS); and United States adoption of "intent-to-use" trademark procedures and implementation of the Berne Copyright Convention.

Apart from these dramatic events, heightened interest in legal rights in intellectual property is not surprising. Today more than ever, the products of the mind—aesthetic, technological, and organizational—constitute humankind's most valuable assets.

One of the most difficult problems confronting companies, practitioners, scholars, and government policy makers concerned with intellectual property law is how to develop fresh approaches to the new technologies, such as biotechnology, software, semiconductors, and superconductivity. Innovative approaches must take account of trends around the world, not just in the United States.

Those who prognosticate are doomed to embarrassment, but I will go out on a limb and identify five trends that are likely to continue through the 1990's.

- \* Diminution of national control over intellectual property law policy.
- \* Increased international scrutiny of the fairness, effectiveness, and efficiency of domestic intellectual property law systems.
- \* Harmonization of intellectual property systems.
- \* Legislative fine-tuning of intellectual property law to accommodate the needs of new technology industries.
- \* Moderation of the current movement to strengthen intellectual property.

#### A. *Diminution of National Control over Intellectual Property Law Policy*

Through the 1960's, major industrial countries, especially the United States, autonomously developed their domestic intellectual property systems. True, major international conventions, such as the Paris Convention on patents and trademarks, placed some restraints on autonomous development. Also, particular countries looked to models developed elsewhere as instructive guides. Nevertheless, major industrialized countries were not directly constrained by international considerations. Domestic policy makers designed laws on patents, copyrights, trademarks, trade secrets, and unfair competition to further national interests and to balance the competing interests in free competition and incentives for the production, disclosure, and development of aesthetic, technological, and organizational assets.

The 1970's and 1980's saw a diminution in traditional national autonomy over intellectual property law policy. In the United States, for example, many major intellectual property law changes were driven not so much by a domestic consensus as by the desirability or necessity of conforming to international norms or of avoiding putting domestic companies at a competitive disadvantage.

For example, in the United States, many provisions of the 1976

Copyright Act<sup>2</sup> were justified primarily by reference to international norms or constraints. Foremost was the change in copyright term from fifty-six years to "life of the author plus fifty years."<sup>3</sup> Serious consideration of the proposition that even fifty-six years was too long for all or some categories of works was precluded because most other countries belonged to the Berne Convention that dictates the longer term. The 1988 elimination of copyright notice was solely to enable the United States to join the Berne Convention.

As another example, many policy makers in Japan favored protecting computer software under some specially tailored protection scheme. Pressure from the United States forced Japan and other countries to follow the American model of copyright protection for software.

In the trademark area, many in the United States favored moving to an "intent-to-use" registration filing system, but many also opposed it. Tipping the balance, was the need to avoid putting American companies at a competitive disadvantage compared to companies in other countries that had a Paris Convention treaty right to file trademark applications without showing use.

This trend will surely continue as international sensitivity to the trade-related aspects of intellectual property (TRIPS) grows. It will be a major constraint on the intellectual property policy development. In the United States, it is now commonplace to support or oppose a particular policy proposal by reference to whether it will set a good or bad precedent that may thereafter be used by other countries. For example, if a proposal is made that includes a "compulsory license," it will be opposed not so much "on the merits" as on the ground that other countries will cite the United States example in justifying their retention or adoption of compulsory license provisions that negatively effect the interests of United States companies.

*B. Increased International Scrutiny of the Fairness, Effectiveness, and Efficiency of Domestic Intellectual Property Law Systems*

In times past, policy makers in one country often imperfectly understood the workings of other countries' intellectual property systems. They rarely appreciated the nuisances of law and practice that have a major impact on the health and competitiveness of national companies and industries.

In the 1980's, the United States, with qualified support from other major industrialized countries, began scrutinizing the intellectual property systems of its trading partners. It injected the issue of TRIPS into the current round of GATT negotiations. The idea is that there should be minimum standards of property protection, that is, patents, copyrights, trademarks, and trade secrets.

Initially, TRIPS proponents assumed that the intellectual property

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2. 17 U.S.C. §§ 101-119 (1988).

3. *Id.* § 303(a).

systems of the United States, Western Europe, and Japan met and exceeded any minimum standards. More recently, however, the United States and Japan have begun to question the adequacy of each other's system, with particular attention on patents. As an example, policy makers abroad, especially in Japan, now question the fairness and efficiency of two fundamental aspects of the United States patent system.

First is the first-to-invent priority system, which, unlike every other major patent system, awards priority of invention between rival claimants based on the first to invent rather than the first to file a patent application. To aggravate matters, United States law allows proof of a pre-filing date of invention only by reference to acts in the United States.<sup>4</sup> To illustrate, if United States company *US* and Japanese company *J* both invent a new monoclonal antibody, in their respective countries and on the same date, the *US* company gains the United States patent right—even if the *J* company files first and even though the *J* company had the same, or even an earlier, actual invention date. Second is the high cost and uncertainties of United States patent litigation. Not surprisingly, United States policy makers find comparable parochial features in the Japanese patent system.

In addition, current United States trademark law requires a foreign company to actually use a mark in the United States to maintain protection. Policy makers abroad criticize such a provision as justifying the very kind of piracy of marks that American companies decry. A recent court decision illustrates the point. In *Person's Co., Ltd. v. Christman*,<sup>5</sup> Christman saw the "Person's" mark in Japan, returned to the United States, began selling a line of apparel under the "Person's" mark, and obtained a Lanham Act registration. After Christman's first United States use date, the Japanese "Person's" company expanded into the United States. It sought to cancel Christman's registration; the theory was likelihood of confusion based on Person's prior foreign use. The court affirmed the grant of summary judgment. Under United States trademark law, in a purely domestic case, a junior user of a mark in a discrete geographic area obtains valid trademark rights in that mark despite prior use of the mark by another in another market only if the junior user's adoption is in "good faith." The court refused to extend the "good faith" requirement to the international fact pattern of junior and senior use. It suggested that a different result might obtain if the foreign mark were famous in the United States or if the junior user's use was nominal and with an intent solely to block the prior foreign user's planned expansion. Neither circumstance was present.

*Person's* conclusion may be technically correct, but surely it exposes United States policy to foreign criticism and weakens the United States' ability to combat discriminatory and restrictive intellectual property laws of other countries. The case illustrates a severe limitation on the ability

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4. 35 U.S.C. § 104 (1988).

5. 900 F.2d 1565 (Fed. Cir. 1990).

of United States intellectual property policy to adjust to international scrutiny.

In other countries, government ministries play activist roles in developing intellectual property policy. For Japan, the Ministry of Intellectual Trade and Industry (MITI) plays this role; in Europe, increasingly it is the European Commission in Brussels. In the United States, much of the detail in our policies is left to the sometimes chaotic process of litigation and court decision. That is most evident with software protection law. Yet, as seen in *Person's*, courts do not operate with a free hand. The appeals court in *Person's* expressed the point poetically: "When the law has been crafted with the clarity of crystal, it also has the qualities of a glass slipper: it cannot be shoe-horned onto facts it does not fit, no matter how appealing they might appear."<sup>6</sup>

### C. *Harmonization of Intellectual Property Systems*

International conditions press for harmonization of national intellectual property systems. National systems with differing rules inherently create trade barriers, even if each system — considered in isolation — is fair and efficient.

The need to harmonize intellectual property laws within a common market is hardly a new idea. The perception of that need by the framers of the United States Constitution led them to make patents and copyrights a matter of federal rather than state concern. The same perception drove European countries to harmonize their patent laws in the 1970's.

To illustrate the desirability of harmonization, consider the situation today in which it is commonplace for an invention to be subject to a patent in the United States but not in Japan or Europe, or vice versa. In addition to placing countries at competitive disadvantages, such situations complicate licensing negotiations, place strains on the remedial structures of our intellectual property laws and pressure companies to move production facilities for reasons other than efficiency.

Although the need for and benefits of harmonization are clear, there are also severe drawbacks. The necessity of compromise often leads to a system that is less than effective and efficient. Furthermore, harmonized systems are more rigid because a broad consensus is usually necessary to change them.

### D. *Legislative Fine-Tuning of Intellectual Property Law to Accommodate the Needs of New Technology Industries and New Competitive Conditions*

Existing laws on patents, copyrights, trademarks, and trade secrets have proven to be remarkably flexible and responsive to the needs of new technology industries and new competitive conditions. But there is good reason to believe that the pace of change, together with the inter-

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6. *Person's*, 900 F.2d at 1570.

national nature of research, development, manufacturing, and information flow, will, on occasion, outstrip the capacities of our aging intellectual property law system. As a result, we can expect periodic calls for legislative "fine-tuning" of intellectual property laws or even enactment of wholly new species of protection.

Consider biotechnology. The industry has operated for ten years on the assumption that patent protection will adequately protect the fruits of their research and development, fruits so costly to produce but so cheap to reproduce. Yet it remains unclear whether the patent system will really be up to the task. For example, many biotechnology projects involve extensive laboratory work by skilled scientists. The technologies used may in fact be "state of the art," and the end product, though of immense commercial value, may be "obvious" in the patent law sense because it was a desirable objective that could be achieved with a reasonable probability of success. If court decisions apply traditional patent law in that fashion, will we need a carefully crafted but not overly rigid scheme to preserve incentives for investment in this type of productivity?

#### E. *Moderation of the Current Movement to Strengthen Intellectual Property*

During the 1980's, virtually every significant legislative change in intellectual property law and policy involved widening or strengthening the property owner's rights.

Consider the changes in United States patent law in the 1980's wrought by the Supreme Court and by Congress. As to the Supreme Court, in *Diamond v. Chakrabarty*,<sup>7</sup> it held that genetically altered living microorganisms constituted patentable subject matter. The *Chakrabarty* decision spurred new interest in the patent system, particularly in the nascent biotechnology industry. In *Dawson Chem. v. Rohm & Haas Co.*,<sup>8</sup> the Court applied section 271(d) of the Patent Act to hold that the owner of a patent, claiming a process of using a certain chemical compound, was not guilty of patent misuse by selling the compound and refusing to issue licenses to competing compound manufacturers because the compound was a "nonstaple," that is, was not suited for commercial use other than in the patented process.

As to Congress, in 1982, it established a Court of Appeals for the Federal Circuit and granted it exclusive appellate jurisdiction over cases that arise in whole or in part under the patent laws.<sup>9</sup> Today, the Federal Circuit's patent-related decisions guide the practical administration of the patent system in the Patent and Trademark Office, in district court patent litigation, and in International Trade Commission proceedings

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7. 447 U.S. 303 (1980).

8. 448 U.S. 176 (1980).

9. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982). The Act merged two existing courts, the Court of Customs and Patent Appeals, which had five judges, and the Court of Claims, which had seven judges. The Federal Circuit came into existence on October 1, 1982.

pertaining to patents. Whether the Federal Circuit is excessively "pro-patent" is a matter of dispute, but few would argue that it has dampened incentives to obtain and enforce patents.

In the Patent Law Amendments Act of 1984,<sup>10</sup> Congress adopted amendments to sections 103, 116 and 120 of the Patent Act, to allow freer exchange of information among members of research teams.<sup>11</sup> It also made exportation of components of a patented combination an act of infringement.<sup>12</sup> The same year, it enacted the Drug Price Competition and Patent Term Restoration Act,<sup>13</sup> providing for extension of the terms of certain patents on drug and other products that had been subject to regulatory review by the Food and Drug Administration. In 1988, it enacted the Patent Misuse Reform Act,<sup>14</sup> restricting application of the misuse doctrine to certain patent licensing and sales practices. The same year, it enacted the Process Patent Amendments Act,<sup>15</sup> extending to owners of process patents the right to exclude unauthorized importation of unpatented products made abroad by use of the patented process.

In the 1990's, there will be calls to moderate the expanded scope of intellectual property rights to accommodate legitimate interests. These interests include not only the cost concerns of users and the effect on product market competition but also the impact of expansive protection of early, basic steps in the development of technology on the incentives to develop and improve the technology.

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10. Patent Law Amendments Act of 1984, Pub. L. No. 98-622, 98 Stat. 3383.

11. *See id.* § 104.

12. 35 U.S.C. § 271(f) (1988).

13. Pub. L. No. 98-417, tit. II, 98 Stat. 1585 (1984).

14. Patent Misuse Reform Act of 1988, Pub. L. No. 100-73, 102 Stat. 4674. The Act added two subsections to 35 U.S.C. § 271(d).

15. Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, tit. IX, subtit. A, 102 Stat. 1107 (1988).



