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International Patent Law Developments

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The General Agreement on Tariffs and Trade ("GATT")[1] and the Draft Agreement on Trade-Related Aspects of Intellectual Property ("TRIPS")[2] were discussed in Session IV of the conference in great detail. I would like to spend about ninety seconds going over GATT and TRIPS.

There were some holes pointed out in protection for various intellectual property in the GATT and TRIPS context. In GATT and TRIPS, we are looking at developing countries; we're really not so concerned about First World countries in the GATT and TRIPS context. As Professor Reichman noted in Session IV, countries will find a way to weasel around the wording of treaties, and it is only when countries develop to a level of self-interest in having strong intellectual property rights that they will implement the features of GATT and TRIPS. If they'll do that in their own self-interest there is really no need for a treaty for those countries.

The two areas of subject matter protection which Professor Reichman very properly brought up, that we have to consider are computer software and biotechnology. I am, indeed, interested in following computer software technology. It's not an area of special

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1. General Agreement on Tariffs and Trade, *opened for signature* Oct. 30, 1947, 61 Stat. A3, 55 U.N.T.S. 187 (1948).

2. Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, GATT Doc. MTN.TNC/W/FA (Dec. 20, 1991), Agreement On Trade-Related Aspects Of Intellectual Property Rights, Including Trade In Counterfeit Goods (Annex III).

expertise for me. I have been influenced to a large extent by people like Mike Kirk and two of our adjunct faculty members at George Washington University, Paul Salmon and Jeff Kushan, who work for Mike, and by Emery Simon. They seem to have found no need to take special measures in the GATT and TRIPS for computer software.

You also have another member of our adjunct faculty, Professor Richard Stern, who is proceeding with a very different approach than either Professor Reichman or Professor Samuelson, but he sees a need for stronger protection. You heard from Professor Reichman already. And then, to turn the circle back to the beginning, Arthur Miller, in the March issue of the *Harvard Law Review*, wrote about *Anything New Since CONTU*,[3] and he seems to adhere to the first line—the Emery Simon line—that we do not need these revisions.

But, computer software is very important. I, myself—just as a matter as a public citizen—will be studying this in great detail in the next year. I encourage you to do that also.

I want to put into perspective the importance of foreign patents. If we're looking at supporting American "R & D," if we're looking at what President Bush, what President Reagan before him, and what President Clinton and U.S. Trade Representative Mickey Kantor are saying—that foreign trade is important—what are the important countries in the patent world? According to my "Top Ten" list, we have a listing of U.S. patents granted to foreign nationals. This gives you some sort of an idea of inventive activity, commercial activity, relevant activity.

Now, what stands out first and foremost is that if you take 43,000 American patents for the 187 foreign countries of the world and those comprising the World Intellectual Property Organization ("WIPO") and subtract only one of these countries, you add up to about 19,000 U.S. patents of foreign origin. Of those 187 countries, Japan has 23,000 patents; all other nationals have 19,000.

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3. Arthur R. Miller, *Copyright Protection for Computer Programs, Databases, and Computer-Generated Works: Is Anything New Since CONTU?*, 106 HARV. L. REV. 977 (1993).

So, if we are going to make meaningful approaches to the developed world, to the technology world, it's not enough to say, "Well, there are many important countries and they're all equal. There are the many countries of the European Patent Convention,[4] and there is Japan, and that is only one country." Japan is of major direct importance and we should deal with the Japan situation.

What is happening in Japan? A lot has happened in Japan.[5] Remarkable changes are taking place right now as we speak, this month. The Diet should have passed this week, a major new patent bill that will become effective January 1, 1994. Examination standards retroactive to pending cases are being implemented right now as we speak.

I see five major developments in the Japanese patent law at this time. First, if we turn the clock back ten years ago, we saw a Japanese patent enforcement system which I would call a "Swiss cheese system."[6] In the patent world, you claim the outer periphery of your protection; one claim will define the generic scope of an invention. A "Swiss cheese claim" has holes in it. The Japanese patent system ten years ago had major holes in the claims system. So, in other words, you may have a broad claim—for example, General Electric had a claim to man-made diamonds.[7] Remember, in 1954 they had done the closest thing to what an alchemist could do to synthesizing gold; they made diamonds. Wasn't that a remarkable feat? They had broad generic coverage. But some of the modes of making the diamonds were not preferred, according to the patent. General Electric lost a patent infringement suit against Komatsu Diamond, even though they had literal coverage. That would never happen today. Japan has gone away from "Swiss cheese" and they have nice "Wisconsin cheese," solid

4. Convention on the Grant of European Patents, Oct. 5, 1973, Munich, 13 I.L.M. 270.

5. *See* Harold C. Wegner, International Patent Law Developments 1 (Apr. 15, 1993) (unpublished manuscript, on file with the *Fordham Intellectual Property, Media & Entertainment Law Journal*).

6. *See* Harold C. Wegner, *Patent Law Simplification and the Geneva Patent Convention*, 14 AIPLA Q.J. 154, 158 (1986).

7. *See* TETSU TANABE & HAROLD C. WEGNER, JAPANESE PATENT PRACTICE 15 (1986).

cheese. To a great extent, they now don't have holes in their claims.

They have also moved in the direction of the doctrine of equivalents. These are tentative steps. They have moved toward some broadened protection.

In biotechnology, progress has been remarkable. Whereas the United States has floundered around with the tissue plasminogen activator (t-PA) lawsuit, *Genentech, Inc. v. Wellcome Foundation Ltd.*,[8] still on appeal, in Japan already a year or more ago Toyobo has been shut down by Genentech in the Osaka District Court[9]—remarkable speed. Also, Monsanto never received a judgment in the United States in St. Louis[10] in their Roundup® pesticide patent litigation.[11] The settlement in the United States was triggered by their victory in Japan after nine months in court. So there are remarkable changes in Japan.

In the United States, we had a massive, amorphous doctrine of equivalents under the Markey court. Today, the doctrine of equivalents, more and more, is being viewed as an exceptional remedy, particularly for copying. So we are moving together in these areas.[12]

Although I was the first proponent of a claims provision in the WIPO Patent Law Harmonization Treaty[13] ("WIPO Treaty")—and you can see this in an article back in 1986 in the *American Intel-*

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8. 14 U.S.P.Q.2d (BNA) 1363 (D. Del. 1990).

9. *See Japan's Court Rules Toyobo Infringed U.S. Medical Patent*, Japan Economic Newswire, Oct. 30, 1991, *available in* LEXIS, Asia Pacific Library, JEN file.

10. *See* Monsanto Co. v. EPA, 564 F. Supp. 552 (E.D. Mo. 1983), *vacated sub nom.* Ruckelshaus v. Monsanto Co., 467 U.S. 986 (1984); *see also* Monsanto Co. v. Ruckelshaus, 753 F.2d 649 (8th Cir. 1985).

11. *See EPA*, 564 F. Supp. 552.

12. *See* Harold C. Wegner, *Equitable Equivalents: Weighing the Equities to Determine Patent Infringement in Biotechnology and Other Emerging Technologies*, 18 RUTGERS COMPUTER & TECH. L.J. 1 (1992).

13. World Intellectual Property Organization (WIPO), Diplomatic Conference for the Conclusion of a Treaty Supplementing the Paris Convention as Far as Patents Are Concerned, The Hague, June 3-28, 1991, The "Basic Proposal" for the Treaty and the Regulations, WIPO Doc. PLT/DC/3 (English) (Dec. 21, 1990), Notes on the Basic Proposal for the Treaty and Regulations, WIPO Doc. PLT/DC/4 (English) (Dec. 21, 1990), History of the Preparations of the Patent Law Treaty, WIPO Doc. PLT/DC/5 (English) (Dec. 21, 1990).

lectual Property Law Association Quarterly Journal[14]—now I don't think that is any longer necessary for the United States vis-à-vis Japan.

The second remarkable change is the total gutting of the utility model. Professor Reichman has properly indicated that countries with marginal protection may have utility model laws and may provide inferior protection. As of January 1, 1994, the Japanese have gutted the utility model law. They haven't abolished it; but, in the Japanese fashion, they have maintained it in a way that it has been gutted.

First, you will no longer be able to have both utility model and patent protection.[15] Second, the utility model provides a six-year protection, which is next to nothing for any modern innovation. So, they have gutted the utility model law.

Third, they are instituting a post-grant opposition as part of their law. But, this has been taken out of the recent revisions. It is being held until the U.S. moves on patent harmonization. Fourth, and for those of us in the pharmaceutical/biotechnology area the most important of all, they have, in their own self-interest—not because we are bashing, not because we want them to do it, but because the big Japanese pharmaceutical industry wants to do this—they have gone away from their hypertechnical rule for "working examples." In the old days, until now, the Japanese patent, with broad generic protection in the chemical or biotechnology area, was very difficult to obtain because the patent examiner would say, "In order to entitle you to a very broad scope of protection, you must have many working examples; you must go into the laboratory and make example after example after example." Now, one example will do it. This is retroactive to pending cases. Why is it retroactive? It is a "guideline," not a formal statutory change. It is also because the Japanese pharmaceutical industry wants it, not because we're telling them to do it. Fifth, Japan has been tired of the U.S.'s bashing. Now, we do have some relevant complaints, but there have also been some ridiculous things said in the Senate

14. Wegner, *supra* note 6.

15. *See* Wegner, *supra* note 5, at 8.

hearings which have no correlation to reality. Japan is simply tired of this. They are now retaliating—and they've got a beauty.

One of the things that the U.S. Government has been bashing Japan about is found in Article 16 of the WIPO Treaty. In Article 16 of the WIPO Treaty, we say the pendency periods of patent applications should be cut down—"Look, Japan, we do our patent applications in eighteen months. You do it in many years." That eighteen-month figure is bunk; it's a lie. Ron Wyden held hearings in March of 1989; it was all exposed. But we continually go to Geneva and say, "You Japanese do not get your pendency down."

Why is our pendency figure a lie? It's because we have phony bookkeeping. The U.S. patent examiners curtail prosecution early on and refuse to enter any amendments to a patent application, and they force the refiling of an application, chaining continuation after continuation. So the net pendency may be, in biotechnology, fifty months from first filing to grant. It's not twenty or so months, the way some people in the Group 180 Biotechnology Section of the Patent Office are saying, based upon only the last link in the chain.

So what did the Japanese do? They initially had a two-part reciprocal anti-American provision: "Let's get back to a provision which curtails amendments at an early date and permits continuation chaining." But then, they put the screwdriver into the bill a little bit more, and took out the continuation provision. So now, for cases filed on or after January 1, 1994, if you fail in your Japanese application to have proper claims after the first go-around, the second go-around is final. You're dead, no continuation.

Now, this is a ticking time bomb, because it is only going to be effective for cases filed on or after January 1, 1994. So, to the extent that there is cooperation between Japan and the United States, it will be taken out before the first cases reach the examination stage.

This is a new era of hardball. I suggest that we should maintain our criticisms of Japanese practice where they're valid, but, we should be a little bit more careful about what we're doing and not make stupid, wild charges which have no basis in reality.

What about first-to-file? Mr. Montalto, we know we need first-

to file.[16] If you haven't read the blue book from Sweet & Maxwell[17] in Europe, that's available, that's our blueprint as to what we are going to do to Europe and with Europe. We know we need first-to-file. We will have first-to-file, thank you. I realize only the Philippines and the United States do not have it. We will have first-to-file.

We will have also a bilateral arrangement with Japan. It is important that we have a bilateral arrangement with Japan because U.S.-Japan patent trade is so important. We waste so much effort in duplicate examination of applications between the two countries, it's a self-evident truth to me that we will have a common system with Japan. Japan will add to their present law a grace period, and several other things that we need.

What will that do? By having Japan and the United States get together and have a common, substantive and procedural patent law, we will move to what I introduced last April 30th in the Joint House-Senate Hearing on Harmonization as "PWT"—the Patent Worksharing Treaty.[18]

What is PWT? As of today, an applicant in any country will file at home; then, at the second stage, twelve months from the filing date, just as today we file in foreign countries within the one-year Paris Convention deadline, we will file a Patent Worksharing Treaty application, which may be no more than saying in our home country case, "Please convert this into a Patent Worksharing Treaty application." Then that application will stay at home. You should have the freedom to elect any of the offices of the PWT. At eighteen months from first filing, a publication will be caused by the PWT office, and there would certainly be a Japanese language publication in Tokyo, an English language publication in the United States, and then there would be a grant—all done by one patent office. Isn't it foolish to have several patent offices examining the same subject matter? Why should we have parallel procedures?

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16. *See* Wegner, *supra* note 5, at 5.

17. SWEET & MAXWELL'S EUROPEAN COMMUNITY TREATIES (4th ed. 1980).

18. *Patent System Harmonization: Joint Hearing on S. 2605 and H.R. 4978 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary with the Subcomm. on Intellectual Property and Judicial Administration of the House Comm. on the Judiciary*, 102d Cong., 2d Sess. 478, 487 (1992).

Why should we have two examiners doing the work of one? Every patent office is being choked with too many applications. Certainly, every corporate patent department budget is being strained to the limits. The last thing a big U.S. department needs is to have multiple foreign prosecutions when they could do everything at home.

We complain about not getting our Japanese patent rights soon enough. If we had PWT, we could push our rights at home in the U.S. Patent & Trademark Office.

What about national sovereignty? That's an important point. Certainly, an American company would not be happy to have the Japanese Government grant U.S. patent rights. Well, we have taken care of that also. At the end of the grant in the one patent office, for every PWT office, eventually, Europe also, there would be a local opposition. A nine-month period would provide plenty of time to lodge an opposition. I would estimate that the same statistics would apply as at the European Patent Office ("EPO"). Eight to ten or twelve percent of the cases would be locally opposed. So that is one balancing factor.

Now, what about Europe? Have I forgotten about Europe? Don't I like Europe? I love Europe. I have spent a lot of time at the Max Planck Institute. I love going to Paris; I've been there about fifty times. What about the Germans? Don't they have a common self-interest? Don't the French have a common self-interest—to have a treaty? To be sure they do; they absolutely do.

But the problem is Dublin, Athens, Copenhagen, and Lisbon. Where there are six thousand plus applications for patents in the United States from Germany, several thousand from France, and so on; from Lisbon there are two; Athens, one—not one hundred—just one; Copenhagen, 1, 2, 3, or something like that.

Why has the European Community patent never come into being, and why will it not be an effective treaty when it does come into being? One thing that has not been explained is that the Community Patent Convention[19] has never been accepted in its full

19. Convention for the European Patent for the Common Market, Dec. 15, 1975, Luxembourg, 15 I.L.M. 5.

scope by the smaller country legislatures. So, yes, the Community Patent Convention will come into effect; but, unless you have protection for all of the EPO states, it's optional, and I cannot imagine anyone using the treaty. Well, maybe Boehringer, Hoechst, and maybe ICI will have one or two cases that they will put in to the system so that the system isn't a total embarrassment. I think it would be malpractice if someone were to tell his clients that he wants to have an EPO-Community Patent Convention patent—put all of his eggs into a new basket. If the Europeans won't use it, why should we use it?

There is no way I can see that the national legislatures of the smaller European Patent Convention states agreeing either to a major regional treaty like the Community Patent Convention, or to a WIPO-type treaty on harmonization. So that's why I have not spoken about Europe so far. The Europeans will have to solve their own problems.[20]

Now, what about Europe? What will we do? In large measure, we will have substantial harmonization with Europe by Japan-U.S. solution or other unilateral reforms. Really, the only pieces to the puzzle that will not be found in the European system will be the grace period and freedom from self-collision, a technical doctrine. But overall there will be substantial harmony.

What will we do in the United States to benefit from parallel European examination, and what will we do to encourage Europe to join the WIPO Treaty? The one-word answer is "piggybacking." We will simply jump on the back of the European examiner. We will let him do the work for us.

How will piggybacking work? There is a statutory requirement in the European Patent Convention that there will be a complete search eighteen months from the filing date. Every patent application will be searched eighteen months from the filing date—an excellent search. The European search, to me, is the best in the world. They have a treaty-based corps of career examiners in The

20. A test case now pending at the European Court of Justice considers whether the EEC may compel adherence to treaties of this type.

Hague doing a brilliant job of searching patent applications. We will simply let the European search be used in the U.S. By regulations, we will have the U.S. search only after the European search. We will piggyback.

As we move toward harmonization, through unilateral action or other action, then we will be able to even better benefit from the European search. In other words, if a U.S. examiner or a Japanese examiner can take up a case for action after the European search, much of the job is done.

That is exactly what I propose that we do. So I propose that unless an individual applicant wants to accelerate an examination in the U.S. or Japanese office, examination wouldn't be taken up until twenty-four or thirty months from the filing date. In other words, you'd have eighteen months within which the Europeans, under their treaty, are forced to do their search, and we would piggyback. We would be able to bleed off the search results of the European office.

Now, what dynamic impact would this have? This would certainly be unfair—that, I would be the first to admit—it would be very unfair. Hopefully, this would lead Europe toward moving finally to the treaties which the small states are blocking. Certainly, as part of any treaty at that time, Germany, France, and the major countries would have their way, and then Europe could participate in this kind of a treaty arrangement.

What do I think about WIPO? Well, if you look at my background, I was the only American private-sector delegate to the first five sessions of the committee of experts, starting in 1985. I've been a great proponent of harmonization, first-to-file, really for the twenty years since I've been at the Max Planck Institute. I respect and admire Dr. Arpad Bogsch, the WIPO Director-General.

What was important about the WIPO Treaty, more than anything else, was that we had meetings, year by year, which were great learning sessions. The first meeting was in 1985. It was defensive: "Well, our law is this way and we don't want to change our law. Our way is this way, and it's maybe a little better; maybe it's not, maybe it is." There was a largely defensive attitude.

By the third session, in 1987, there was clearly a collegial atmosphere. You had largely the same delegates coming to all the meetings. It was remarkable that the key players from the major countries remained pretty much the same throughout this period.

By 1987, it wasn't, "Well, this is the way we do it," but more "This is exciting! Look, you do this this way, we do it this way; maybe we can synthesize something new or see what's best." By 1987, we had already accumulated literally thousands of sheets of intermediate and final documents, pink-sheeted documents, and we had a model code.

In 1987, Canada took this model code right off the bat. Canada unilaterally bought off on the model code and, by 1989, had a complete unilateral implementation of pretty much what is in the 1987 draft WIPO Treaty.

So that has been the great benefit of the WIPO Treaty. The diplomatic conference has been postponed, which gives us more time in the United States to gain a common understanding. We have a lot of divergent viewpoints that have come up since we had the hearings before Congress in April last year.

Do we have a chance for a WIPO Treaty? Well, I think it would be nice, but I don't think it is of primary importance because, again, if it requires implementation by Europe as well as Japan and the United States to come into being, Europe will kill the treaty.

Now, I recognize that there is the possibility of a Directive from the Commission to compel WIPO Treaty approval by the several states. I fail to understand the basis for a Directive to force each of the states to change their law. I have studied this in great detail over many years. It would certainly be encouraging to hear words from the Commission that they could do this, but I really question whether that would be the bottom-line result.

Where is the leadership in the United States to create these changes with Japan? Right now, there are two key leaders, Dennis DeConcini, the Senator from Arizona, and Representative William Hughes, your neighbor from New Jersey. They chair the respective Senate and House subcommittees. As we speak, their staffs are

working on the 1993 model of a harmonization bill. The original goal was that a bill would be out and hearings would take place by June. That goal was premised upon a July diplomatic conference. With the July diplomatic conference being put out of the way, there is no such pressure, but I would expect that sometime this year a bill will be introduced and there will be hearings.

Now, we have one piece of the U.S. puzzle that is missing: the U.S. Commissioner of Patents. Yesterday, Emery Simon said that by this morning Bruce Lehman would be announced by the White House as Commissioner. I thought that he had it in the bag three weeks ago and called to congratulate him. Nothing has happened.[21] Bruce is the former head of Kastenmeier's staff, basically, very solid in copyrights, with some good friends in biotechnology, including David Beier, now Vice-President of Genentech, who was a successor in the House subcommittee.

Let us discuss the question of the North American Free Trade Agreement and GATT. If we have GATT, the possibility exists for immediate harmonization.

The fast-track authority—the mechanism where the President proposes a trade treaty to Congress—includes the provision that domestic implementing legislation once introduced to Congress is part of the package; you can't take a comma out of that package. Congress has three months to say yes or no, without amendment.[22] So it is very possible, if you have a GATT and TRIPS agreement, that there will be substantial harmonization as part of GATT and TRIPS. The scope of the legislation will depend to a large extent upon who the Commissioner will be. Bruce Lehman may be expected to take a realistic look at the situation.

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21. [Eds. note: On April 23, 1993, the White House finally announced his appointment.]

22. *See* Trade Act of 1974, 19 U.S.C. §§ 2101-2487 (1988). The fast track authority allows the executive branch to negotiate agreements with foreign nations while limiting Congressional involvement to a vote on the consequent agreement without allowing any amendments.