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THE PATENT OFFICE IN THE CHANGING WORLD

by
*Rene D. Tegtmeyer**

I'm happy not only to have this opportunity to speak to you but also to attend my first meeting of the Licensing Executives' Society. I have read with great interest your publication "Les Nouvelles" and have found it most informative. I have also reviewed some of your past meeting programs and found them inviting and the topics up-to-date. I hope that I can contribute a little to your informative program today.

As you know, I am substituting on your program for Commissioner Gottschalk who has asked me to convey to you his regrets that he could not be here, and to give you his wishes for a successful meeting.

My topic, "The Patent Office in the Changing World," is, of course, quite broad, but necessarily so. There are a number of mostly unrelated but important current activities in which the Patent Office is involved which may be of interest to you, particularly as members of LES, and on which I would like to report to you.

I will talk a little bit about the present status of the Patent Cooperation Treaty and of the proposed Trademark Registration Treaty, discuss a proposed Convention intended to assist in the transfer of technology to developing countries through licensing and otherwise, and review briefly the status of the proposed Patent Management and Licensing Information exchange with the Soviet Union in which the LES has been participating.

A major step toward the ratification of the Patent Cooperation Treaty by the United States was taken on September 12th when President Nixon sent the PCT to the Senate with a request for their advice and consent to its ratification. The PCT, as you recall, was negotiated at a Diplomatic Conference in Washington in June of 1970.

President Nixon in his letter to the Senate stated:

> "The Patent Cooperation Treaty offers several major advantages. One is to simplify the filing of patent applications on the same invention in different countries by providing, among other things, centralized filing procedures and a standardized application format.
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> "Another advantage offered by the Treaty is the longer period of time available to an applicant before he must commit himself by undertaking the expenses of translation, national filing fees and prosecution in each country.
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> "A third advantage is to facilitate the examining process in those member countries which examine applications for patents."

The President went on to state:

> "In order to carry out the provisions of the Treaty, proposed implementing legislation will be forwarded to the Congress in the near future."

The President asked for "early and favorable consideration to the Treaty" and specified that he was seeking advice and consent "subject to *three* of the declarations for which provision is made in the Convention under Article 64, paragraphs (1)(a), (3)(a) and (4)(a).

Implementing legislation for the PCT is presently being prepared and hopefully will be forwarded to the Congress early next year.

The three reservations mentioned by the President relate to Chapter II of the Treaty providing for an international preliminary examination, international publication of applications, and the prior art effect of a patent based on an international application filed under the Treaty. If advice and consent is conditioned as the President indicated:

> first, the United States would not be adhering to Chapter II and would not participate in that part of the Treaty providing for international preliminary examination;
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> second, an international application designating only the United States and any other states making a similar declaration under Article 64(3)(a) would not be published internationally; and
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> third, filing an international application outside the U.S. Patent Office would not be equated to an actual filing in the United States for prior art purposes.

Although 37 countries have *signed* or acceded to the Treaty to date, only four countries have actually ratified or acceded to the Treaty and all are small developing countries — Malawi, Central African Republic, Malagasy Republic and Senegal. Eight countries, at least four of which have major patent activity, must ratify the Convention for it to come into effect.

Giving equal time to trademarks, there have been a number of recent developments in connection with

the proposed Trademark Registration Treaty worthy of mention.

First, by way of background, the development of the TRT, as it is called, has some broad similarities with the PCT although the problems and considerations involved are totally different. The TRT is intended to facilitate for business the filing and procedural processing of trademark applications in foreign countries.

Although there is an existing agreement in this area, the Madrid Agreement for International Registration of Marks, its deficiencies have made it unattractive to the United States. Chief among these are its provisions for dependency on the home country registration, which discriminate against those countries with stricter examination, such as the U.S. Further, the Madrid Agreement is not adhered to by a number of significant countries besides ourselves, including Japan, U.K., Canada and the Scandanavian countries.

A broader Treaty, attractive to those not in the Madrid Union as well as the Madrid countries, has been under study by Committees of Experts under the Paris Union for about two years now. The United States has participated in these meetings. *In fact,* our position at these meetings has strongly favored an acceptable international trademark registration system which would facilitate the protection of trademarks internationally. This position is based upon substantial indications that the complexity and high cost of establishing and protecting trademarks in international markets with something near 150 separate trademark jurisdictions has been a real headache for American companies.

The principal issue in the development of the proposed TRT for the United States is the provision in prior and current drafts which would preclude any Contracting State from requiring use of a trademark prior to a certain period of time after filing or as it is called international registration. This period is now set at three years in most cases.

Linked to this three-year moratorium on use requirements are provisions which would permit the national law of a state to limit the owner's rights in a non-used mark. These limitations include:

(1) a requirement for a declaration of intent to use the mark by the applicant or registrant;
(2) a requirement for the commencement of a *continuing use* before a suit for infringement could be instituted on the basis of a national registration issued for the mark; and
(3) a prohibition against recovery of damages for infringement prior to the commencement of use.

Further, countries could require a declaration of intent to use the mark when filing an application not based on use.

On the basis of our analysis of the comments we have received from interested associations and individuals, the U.S. Government has favored some modifications of use requirements along the lines of the current TRT draft.

Many of the comments we have received reflect the view that our present trademark law is unrealistic, even with respect to the needs of domestic commerce, since U.S. businessmen are frequently required to establish actual use of a mark in commerce prematurely in the interest of recording their claim of rights to a mark as quickly as possible. In fact, intent to use legislation providing for application for registration without use has been pending in the Congress for some years and has received the support of both the private and government circles. In addition, Section 44 of the Lanham Act already provides for filing and registration in this country by foreign applicants without use in commerce in the United States.

Many of those commenting to us feel that taking the additional step of providing for registration without use for *a limited period of time and with* the appropriate limitations during that period is desirable. This is the feeling expressed by a good number even though it represents a significant theoretical departure from the use concept in our present trademark laws. While the break with traditional trademark law is recognized, it is felt that the practical differences from present actual practice are not so great.

Another issue involved in the development of the TRT has been whether the Treaty should include some subsitute for the dependency features of the present Madrid Agreement which are eliminated by the TRT because of their discriminatory nature. If a home country mark is cancelled during a five-year period under the Madrid Agreement, there is a domino effect nullifying registrations in the other countries where the registration is in effect.

This system, although it may provide advantages for an attacking party, has a number of serious disadvantages for the attacked parties whose marks may fall in other countries automatically even though the grounds applicable in the country of origin may not be applicable in one or more of the other countries. In addition, the registrants in countries, such as the U.S., with relatively easy procedures for attacking a mark, are at a disadvantage vis-a-vis those in a country where cancellation of a mark requires a court action or other difficulties.

A series of special working groups have considered this question of so-called "central attack," one in April and one just in September of this year, but have been unable to agree to recommend any of the proposals submitted. Accordingly, the Conference drafts will not provide for a "central attack" procedure. This does not preclude a country or countries from raising this issue again at the Diplomatic Conference.

By way of information on the current status of the TRT generally, the Executive Committee of the Paris Union in its meeting last month decided to firm up the tentative schedule for the TRT Diplomatic Conference. It is now definitely scheduled for May 17-June 12 of 1973 in Vienna.

The draft of the TRT which will serve as the basis for negotiation at the Diplomatic Conference is that which was released on July 30th of this year and published in the Patent Office Official Gazette on September 19, 1972. One further Committee of Experts meeting will be held December 4-5 in Geneva for the

purpose of finalizing a Diplomatic Conference draft of the regulations for the TRT.

Commissioner Gottschalk invites your comments and advice on the TRT for the purpose of formulating the position of the U.S. Government at the Diplomatic Conference. A notice to this effect will appear in the Official Gazette of the Patent Office shortly. Enough for trademarks.

Recent concern with adverse patent and other intellectual property proposals and actions in many developing countries enhances the significance and importance of a number of current international developments in the industrial property field.

In recent years, the developing countries have become increasingly interested in and vociferous on international cooperation for the purpose of increasing and speeding the transfer of technology to them from developed countries. They have, you might say, become technology conscious. They feel, rightly or wrongly, that technology put to use by locally-owned and operated business is one of *the* answers to their lack of development and that the technology must be acquired now and quickly.

Some of the actions developing countries have been taking in recent years are real cause for concern and reflect the general attitude they are assuming in the technology transfer and intellectual property field.

Latin America has been racked with laws and decrees injurious to the protection of industrial property rights. Pharmaceutical patent protection has been attacked and eliminated or reduced to little by decrees and decisions in Peru, Bolivia, Brazil, Argentina and Columbia in just the last five years. Considerably more restrictive provisions have been considered among the Andean countries.

In India, patent legislation was passed just two years ago which undermined patent protection generally and most particularly in the pharmaceutical, food and agrochemical areas where the patent term was reduced to seven years from filing or five years from sealing, whichever is shorter.

So-called "Crown Use" provisions for patents or new and added compulsory licensing provisions have been added to the law books in Hong Kong, Singapore, Nigeria, Malaysia, India and other countries. In some cases, maximum royalties were fixed at 4 and 5% of little more than manufacturing costs.

Further illustrative of the thinking being pushed by the developing countries are the recommendations which came out of the UNCTAD III Meeting in Santiago, Chile, this past spring. UNCTAD III recommendations were, of course, subscribed to by many developed countries.

Although it was not adopted as a recommendation but merely noted by UNCTAD III, the developing countries sought the acceptance of a resolution that developed countries should devote 1/2 of 1% of their gross national product to the technological problems of the developing countries. In a trillion dollar economy this means over 5 billion dollars. The recommendations *adopted,* among other things, called for assistance to developing countries in the establishment of information centers for applied techniques, invited *developing* countries to take the specific measures they deem necessary to promote accelerated transfer of adequate technology, called for *developed* countries to facilitate the transfer of technology through a variety of means from identifying restrictive business practices to the designation of institutions for providing information on available technologies.

It is with this background that the World Intellectual Property Organization (WIPO) is convening a Committee of Experts in Geneva next week to discuss the first draft of a proposed Patent Licensing Convention, and a draft addition to the WIPO Model Law for developing countries providing for a so-called "technology transfer patent."

The Convention results from a proposal for such an agreement presented originally by the Swedish Government almost two years ago. The draft was prepared by WIPO on the basis of responses to a questionnaire sent countries as a followup to the Swedish proposal.

The draft Convention to be discussed provides for three main obligations on member States:

(1) Each State would furnish the other States copies of its own patent documents;

(2) The establishment of a bulletin to be published by WIPO for the purpose of publicizing licensing opportunities. This part of the Convention would require Member States to establish a "licensing authority" to serve as a conduit to convey both offers for the acquisition of technology and notices of the availability of technology; and

(3) The establishment of a Committee of Experts with a broad mandate to assist in the implementation of the Convention and to take other measures appropriate to facilitating licensing arrangements.

The draft addition to the Model Law for Developing Countries outlines a provision for what is called a "technology transfer patent." As outlined, it is a form of patent of introduction intended to encourage local manufacture within the developing country with *joint ownership* of the exclusive right by the foreign licensor and the local licensee.

These proposals present a number of questions of practical utility and desirability. For instance, can most developing countries gain anything from patent documents sent from developed countries? What would they do with them? Will a publication of licensing opportunities serve to bring licensors in developed countries together with licensees in developing countries? particularly when many developing countries do not have the expertise to evaluate potential licenses? and where the business climate is not mutually beneficial?

In order to assist us in developing our position on these questions for the meetings next week, Commissioner Gottschalk sent copies of the proposals to a number of the interested organizations including LES requesting comments and advice. We have received a number of helpful responses.

We hope to take a positive and constructive approach that will result in steps that are *practical,*

feasible and *mutually beneficial* to business and technological development in the developed *and* developing countries. This is in line with the President's commitment to further the role of U.S. technology in the progress of developing nations as stated in his Technology Message to the Congress on March 16, 1972.

I would be remiss if I did not make brief mention of one activity in which the Patent Office has been working particularly closely with LES and in which considerable business interest seems to be developing. That activity is a second U.S.-Soviet Patent Management and Patent Licensing Exchange.

Commissioner Gottschalk has attached considerable importance to this subject as has LES in view of its potential business impact as trade opportunities with the Soviet Union are enlarged.

President Nixon's recent visit to the Soviet Union and follow-up activities including the creation of a joint US-USSR Commission have generated unparalleled trade discussions with the Soviets. Meetings of the Commercial Commission were held in Moscow in July and in Washington earlier this month. A trade agreement with the Soviets was signed just last week on October 18, 1972, resolving many of the stumbling blocks to trade, such as questions of credit, lend lease debts, most favored nations treatment, arbitration of disputes in trade agreements, and other problems. These developments will, in time, create significant new business opportunities. In this respect, I might quote a statement made by Secretary of Commerce Peterson in a press conference announcing the trade agreement. He stated after mentioning the direct economic dividend resulting from the settlement of the lend lease debt, "A second economic dividend is several hundred million dollars worth of exports that we believe will be forthcoming in the relatively near future. The trade agreement provides for a minimum of tripling our trade over the three-year period to a level of at least one and a half billion dollars."

The Administration and the business community have recognized the need to be prepared to take advantage of these opportunities.

In 1971, the Patent Office and the LES jointly sponsored a patent management and patent licensing exchange with the Soviets. The main purpose of the exchange was to establish channels of communication for the purpose of exploring licensing opportunities in the Soviet Union.

As a part of the exchange, the former Commissioner of Patents Bill Schuyler and a number of licensing executive members of LES, Homer Blair, Ken Brown, Dudley Smith and Ted White, held discussions in the Soviet Union with a number of Soviet Officials of such organizations as Licensintorg and other organizations in the Ministry of Foreign Trade, the Chamber of Commerce of the USSR, the State Committee for Science and Technology, including the Committee on Inventions and Discoveries, and other bodies.

A report on this visit was published in a special issue of "Les Nouvelles" last October. The contacts and discussions are well described in that report. A Soviet team also visited the United States in 1971 spending time with government and industry officials. The U.S. visit to the USSR was considered most successful. A number of problem areas were identified and important contacts and lines of communication were established.

A similar follow-up exchange was planned with a U.S. team to visit the Soviet Union *this month* under a new general Exchange Agreement with the Soviet Union signed earlier this year. This visit had to be postponed because of scheduling problems and it is planned to be rescheduled in 1973. We are hopeful, *and expect,* that these further discussions should prove helpful to broaden and improve the base of mutual understanding and cooperative effort in this important area.

I have touched on a number of rather indirectly related subjects this morning, the status of which I felt should be of interest to LES. Although these various activities are rather distinct and diverse in certain respects, there is a common thread among them and a common interest between government and business.

Efforts to enhance the transfer of technology to developing countries, the PCT, the TRT and other international activities will be with us for some time. We in government must be ready to deal with these subjects effectively and in the national interest. The topics I have mentioned are for the most part subjects which are of primary interest to business and it is business which msut decide which directions we should take. In this respect, we in the Patent Office look forward to continued cooperation with organizations such as LES.

**About the Speaker: Rene D. Tegtmeyer is assistant commissioner of Patents for Appeal, Legislation and Trademarks.*

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