

## PATENT HARMONIZATION THROUGH THE UN: INTERNATIONAL PROGRESS OR DEADLOCK?

by

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On January 1, 2004 formal Regulations<sup>1</sup> of the United States Patent and Trademark Office ("USPTO") will take effect to implement major changes to the three-decade old Patent Cooperation Treaty. Patent Cooperation Treaty, Done at Washington on June 19, 1970. (All of the treaties cited in this paper are available at [www.wipo.int](http://www.wipo.int)) Those changes are designed to make that treaty more "user friendly." This LEGAL BACKGROUNDER will outline those changes in the context of broader efforts to move toward truly borderless or multinational patent protection.

Breaking new ground internationally at the time — and providing a key framework for all subsequent patent treaties — was the 1884 Paris Convention. The "Grandparent" of all subsequent patent treaties, the Paris Convention established two cardinal principles that are as important today as they were at the dawn of the Industrial Revolution: guaranteeing National Treatment to all inventors and the ability for an inventor to establish an International Priority Date through a single patent filing in one of the member countries.

Ranking in importance with the Paris Convention are three other treaties: (1) The 1967 treaty establishing the World Intellectual Property Organization or "WIPO" and the 1974 follow-on agreement naming WIPO as a specialized agency of the United Nations; (2) the 1978 Patent Cooperation Treaty; and (3) the 1994 World Trade Organization ("WTO") Treaty on Trade Related Aspects of Intellectual Property or "TRIPS."<sup>2</sup>

***Importance of Intellectual Program Protection.*** In 1776 the year of our Declaration of Independence the American philosopher/economist Adam Smith taught us that the wealth of any nation rested on three

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<sup>1</sup>68 Fed. Reg. 59881 (Oct. 20, 2003) (Final Rule).

<sup>2</sup>Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, Resulting from the Uruguay Round Negotiations and Signed at Marrakech, Apr. 1994. Text available at <[www.WTO.org](http://www.WTO.org)>.

pillars: Labor, Capital and Natural Resources. ADAM SMITH, *THE WEALTH OF NATIONS* (1776) (Modern Library 1994). Our generation has added a fourth pillar Intellectual Property, including as a key element, patents to encourage and protect the creation and use of new technology.

Six years ago, Professor Ralph Oman, a distinguished international leader in copyright matters, and I published an article on the WIPO in the journal *World Affairs*. 159 WORLD AFFAIRS 104 (Fall 1997). Its title "The World Intellectual Property Organization: A United Nations Success Story" summarizes its two major themes: (1) Intellectual property protection is tied directly to, and clearly stimulates, human development; and (2) the WIPO is generally quite effective in fostering the protection of Intellectual Property across national borders. To underline the transition to a worldwide "knowledge-is-wealth" society, Professor Lester C. Thoreau, writing in the *Harvard Business Review*, noted that "for more than a century, the world's wealthiest human being has been associated with oil, now he is a knowledge worker." HARVARD BUSINESS REVIEW, Sept.-Oct. 1997 at 95, 96.

The ways in which patents stimulate economic development could be the subject of several volumes. It seems beyond dispute that patents stimulate economic development in at least five main ways:

- Patents provide the incentives for existing companies to undertake very costly research and development;
- Patents facilitate technology transfer and foreign direct investment;
- Patents encourage R&D at universities and research centers;
- Patents are catalysts of new businesses; and
- Businesses accumulate patents and use them to engage in licensing, joint ventures, and other revenue-generating transactions.

**Administration of the PCT.** WIPO's administration of the Patent Cooperation Treaty is a perfect example of how effective WIPO can be, once its members agree diplomatically on an operational framework. Resulting from the lead of the United States in the early 1970s, the PCT streamlined the international filing, searching and preliminary examination of patent applications in a two-step procedure. It currently provides a mechanism for applicants to submit one application for patent protection in several countries. The first step requires the applicant to file an "international application" in one of several receiving national patent offices. The PCT permits applicants to designate as many of the contracting states as desired during this filing process and delays, for as long as thirty months, the need for multiple filings in the individual states. Once an "international application" is received by an appropriate receiving national patent office, the office examines the application as to formal requirements, and, if it is designated as an "International Search Authority," conducts a novelty search and completes an "International Search Report." This report indicates the classification of the invention, the technical fields searched, and citations to the prior art. In almost 80% of PCT applications, applicants also request an International Preliminary Examination a non-binding opinion on whether the invention "appears to be novel, to involve an inventive step (to be non-obvious), and to be industrially applicable." The goal is to remove some of the duplicative efforts expended by examiners from various countries in reviewing formalities and conducting prior art searches.

The PCT harmonized the form, content and procedural framework under which the patent application process is conducted by all the member countries. Although the PCT failed to directly focus on the substance of patent law, it indirectly provided substantial substantive impact. The accession process for member states requires minimum patent standards and regulations. Many countries augmented their national patent standards to become signatory states.

The success of the PCT is underlined by actual experience. There are now 123 states that have joined the PCT. In 2002, citizens of those states filed more than 114,000 international applications. Among Developing Nations, there were significant increases in 2002 in applications filed: India +51.9%; Mexico +19.6%; Singapore +18.8%; and the Republic of Korea +10.1%. The highest number of international applications originating from developing countries came from Republic of Korea, China, India, South Africa

and Singapore.

Filing a PCT application has several benefits besides delaying costs associated with national phase entry the inevitable costs associated with filing patent applications in individual countries. Most importantly, the PCT can give applicants time to see if foreign markets develop for the technology. Many applicants, such as start-up companies, may instead use scarce resources to fund further research and development or otherwise to expand their corporate capability. In any event, the PCT has proven to be a cost-effective way to acquire patent protection in five or more countries.

On January 1, 2004, the United States Patent and Trademark Office will fully implement the forward-looking revisions of the PCT that were agreed to during the PCT Assembly in September 2002. These include: (1) Expanded International Search including the issuance of Written Opinion of the International Searching Authority; (2) Automatic designation and election of contracting parties; (3) Simplified fee system with a "flat" international filing fee, (4) Implementation of a "communication on request" system; (5) Relaxation of signature and other requirements for filing; and (6) Adoption of a reinstatement procedure in accordance with PLT.

Without going into detail, these changes were designed: (1) to improve coordination of international searches and preliminary examinations; (2) to simplify the PCT by changing the concept and operation of the "designation" and "fee" systems; and (3) to simplify signature and other filing requirements.

Much to the credit of the WIPO's leadership, particularly its PCT staff, the PCT history and experience are very encouraging and clearly demonstrate WIPO's skill in administering "hands-on" treaties. In addition to the PCT, such treaties include: The Budapest Treaty on the Deposit of Microorganisms;<sup>3</sup> The Madrid arrangements on Trademarks, including the new Madrid Protocol;<sup>4</sup> The Hague Agreement on Industrial Designs;<sup>5</sup> and The Lisbon Agreement on Appellations of Origin.<sup>6</sup>

***International Patent Norm-Setting in the United Nations.*** As effective as WIPO is in administering existing "hands-on" treaties, WIPO has not been as effective in norm-setting, at least in the patent area. This is not meant as a criticism of WIPO, its able leadership and its highly dedicated professional staff. Rather, it seems unfortunately to be inherent in the United Nations system, of which WIPO is a part.

I served as U.S. Ambassador to the Diplomatic Conference on the Revision of the Paris Convention during the 1980s. After five full-blown sessions, each lasting weeks on end, that revision effort produced nothing, despite Herculean and dedicated efforts of most of those involved. Even at the time, it was apparent that the reason that the Paris Convention Diplomatic Conference failed is that it was the first attempt in history to *lower* the level of patent protection worldwide rather to *increase* legal and procedural patent protection. The experience of the failed Diplomatic Conference on the Revision of the Paris Convention led directly to major nations moving norm-setting in the patent world from WIPO to the World Trade Organization, then the General Agreement on Tariffs and Trade or "GATT."

The result was the landmark TRIPS agreement, achieved through linkage-bargain diplomacy in the GATT. *See, e.g.,* MICHAEL P. RYAN, KNOWLEDGE DIPLOMACY, Chapter 5 (Brookings Institution Press 1998).

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<sup>3</sup>Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, Done at 9 Budapest 1977.

<sup>4</sup>Madrid Agreement Concerning the International Registration of Marks, Done at Madrid 1891, and the Protocol Relating to the Madrid Agreement, 1989.

<sup>5</sup>Hague Agreement Concerning the International Deposit of Industrial Designs, Done at The Hague 1925.

<sup>6</sup>Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, Done at Lisbon 1958.

I have yet to meet a single person who thinks that similar progress could have been made through WIPO. On a very positive note, WIPO deserves much credit for the way in which it has cooperated with the WTO under its January 1, 1996 Agreement with the World Trade Organization. With focus on the developing and least developed countries, the WIPO staff has spent enormous efforts and has been quite successful in assisting those countries to fulfill their responsibilities under TRIPS. On a less positive note, we are experiencing today a strikingly similar situation in the WIPO to that experienced during the 1980's. This refers to the current efforts to establish a global treaty on the substantive harmonization of national patent law through a Substantive Patent Law Treaty or "SPLT."

The world must move to a true international or "borderless" patent system. See MOSSINGHOFF & KUO, WORLD PATENT SYSTEM CIRCA 200XX A.D., 38 IDEA 529 (Franklin Pierce Law Center 1998). There is a debilitating redundancy built into the current national/regional patent search, examination and enforcement systems. With respect to any important invention, highly skilled patent examiners around the world all of whom are scientists or engineers and many of whom in addition, particularly in the United States, have legal training analyze the *same* patent application, search the *same* prior art, and perform the *same* examination before granting virtually identical patents on the invention in their respective jurisdictions. Once granted, a patent must be enforced individually in each individual jurisdiction. This unnecessary redundancy drives up the costs of obtaining and enforcing worldwide patent protection to a level that can only be afforded by the largest multinational corporations.

What is referred to as "deep harmonization" of national patent laws is a necessary prerequisite to borderless patent protection. And that is an overriding goal of the efforts of the WIPO Standing Committee on the Law of Patents, begun in November 2000 after an earlier effort floundered in 1996. But at this point general optimism on the outcome has turned into understandable pessimism. The decision taken at the May 12-16, 2003 meeting of the Standing Committee to postpone any further talks until 2004 at the earliest signals that things are not going well. Some attribute the lack of progress to "politicization," others to "developmental issues," but whatever the name, the WIPO efforts are being put on hold for one simply stated reason: because some nations are attempting to use harmonization to weaken patent protection internationally by rolling back the progress made in TRIPS. Those nations will not succeed in their goal whatever self-serving reasons underlie it but in the UN system they may well succeed in creating effective roadblocks to any progress at all. To quote the famous American baseball player and manager Yogi Berra, "it is *d vu* all over again." If the roadblocks resulting from the insertion of political issues unrelated to the goals of harmonization are real and lasting, the inevitable result will be again for interested nations to seek an international forum outside of WIPO to achieve movement and progress.

Europe seems to be making real progress toward its European Community Patent albeit somewhat later than initially hoped for, but clearly on the horizon nevertheless. The Japanese Patent Office and the European Patent Office now have pilot programs of cooperative searches and examinations with the United States Patent and Trademark Office under the latter's 21<sup>st</sup> Century Strategic Plan. Harmonization among the "Trilateral" nations is a real possibility if the WIPO efforts bog down. Such Trilateral harmonization could perhaps be based upon a so-called "balanced package" creatively drafted by the European Patent Office.

**Conclusion.** Intellectual property is inherently international in character. Given the Internet and other worldwide forms of electronic communication, an invention disclosure can be sent around the world literally at the speed of light. Patent protection in the coming years will also be international in character. There is too much at stake for all nations developing as well as developed for that not to happen. Whether that goal will be achieved through WIPO which I would strongly favor remains to be seen. But there are too many alternatives available just as existed prior to the TRIPS accord for us to give up hope that deep harmonization of national patent laws will be achieved in one way or another. The Patent Cooperation Treaty and its effective administration by the WIPO are unqualified successes. We must now build on those successes to achieve effective truly borderless protection of new technology as a key element of worldwide human growth and development.