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The Role of Patents and Trademarks in International Trade

The purpose of this article is to consider two main topics. First, a general discussion of the different patent systems of the world and the significance of some of these differences. Second, a brief resume of the international patent and trademark programs of the U.S. Patent Office and their significance.

It would be impossible to cover even superficially the patent and trademark laws of the principal foreign countries with which American business has dealings. However, the importance of checking the patent and trademark situations in any country in advance of any commitments abroad must be stressed. U.S. industrialists frequently assume that the foreign country has a patent system similar to that of the United States, or has no system of any consequence. Obviously, either assumption could lead to dangerous misconceptions and unhappy consequences.

There are, in general, three types of patent systems in operation in the world today. The United States grants patents only after the subject matter of the invention has been examined for patentability. The U.S. system might be called a "full-examination system" because in theory, at least, all pertinent prior publications, anywhere in the world and prior public knowledge here at home are considered by the U.S. patent examiner in his determination of novelty. This, in theory, would require that the examiner search all of the over three million United States patents, all of the over seven million foreign printed patents, and all publications in any language. This, of course,

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is an obvious impossibility, but the classification according to technical subject matter of information in the Patent Office restricts materially the number of documents which the examiner must search and at the same time permits the examiner to have a rather broad view of the world-wide technical literature. Typical foreign countries which also conduct a full examination are West Germany, Japan, and Sweden.

Other nations limit the scope of their examination of prior art disclosures. For example, in Great Britain an application will be subjected to a search usually limited to prior British patents granted during the past 50 years. To be realistic, there are many countries in which, theoretically, a full examination for patentability is made; but in actual practice these countries have neither the funds, the library facilities, nor the staff of trained experts to do anything of the kind.

A variation of the examination system and one which is receiving considerable attention today is designated as a "deferred examination system." The Netherlands was the first to adopt such a system. The principal merit of the deferred examination system is that it permits the Office to concentrate its resources, its time, and its efforts on the inventions of greater significance. Under this system, applications for patents are published soon after their filing, at least within 18 months, so that the whole world may know about the invention and the applications for patent on the invention. Following this publication, a full examination is conducted only if the applicant for the patent or any other interested third party requests such examination and pays a rather heavy fee. The theory, of course, is that only the most important cases would justify the added fees and the other less significant cases would be dropped and hence not examined for patentability. One of the disadvantages of a deferred examination system is the expense of publication, that is printing, of all the applications filed.

Some countries, notably Germany and Japan, provide for what might be called a petty patent. These petty patents or utility models are intended to afford limited short-term protection for innovations that do not justify the granting of a regular patent. The fees for these patents are low and, even though there is some examination for novelty, thousands of them are issued annually in the countries mentioned.

France, an important industrial nation, has a registration system of patents. This means that a patent is granted after application

and payment of a fee. Even those who are not familiar with patent matters might regard this as a system which would result in a flood of invalid patents and which would, furthermore, swamp the law courts with litigation when attempts are made to enforce such patents. Without intimating that registration is as effective as a full-examination system, it is, nevertheless, a fact that there is surprisingly little patent litigation in France, and that some French patents are found to be of considerable value.

This diversity of patent systems would indicate to the industrialist, the exporter, and the international trader the importance of a careful investigation of the patent situation in the country involved before he enters a foreign market by establishing a subsidiary or by exporting goods and products manufactured in the United States.

Many countries, Great Britain, for example, insist on "absolute novelty" in that particular country. In other words, a public disclosure of an invention in Great Britain or the sale of the article or machine to be covered by a patent in Great Britain which takes place even a day before the actual filing of the application will defeat the patent application in Great Britain. In contrast, the United States permits unlimited disclosure to others, publication, public use, and sale without prejudice to the applicant's rights to acquire a patent in the United States so long as the application is filed not later than one year from the first of any such acts.

As early as 1883, the complications in the patent field arising from international trade became apparent. A "Convention of Paris for the Protection of Industrial Property" was ratified in that year and has been revised several times since then. The United States has been a party to the Convention since 1887, and there are now some 74 countries which adhere, including all of the principal industrial countries. The U.S.S.R. became a member, effective July 1, 1965.

The Paris Convention accorded so-called national treatment to foreign applicants for patents and patentees. Simply stated, this requires that all member countries of the convention shall not give preferential treatment to their own nationals. For example, they could not charge greater fees to foreigners than they charge their own nationals.

Another important aspect of the Convention is that, by observing certain formalities, it provides certain rights of priority which date from the filing of the first application in any Convention country. In simple terms, this would protect the applicant from losing his rights

to further patent protection in Country B merely because he filed earlier in Country A.

The principal condition which attaches is that the later filed case, to secure the benefit of the priority of the first filed case, must be filed no later than one year after the date of the first filing. The importance of the one year deadline for filing applications abroad when the first filing has been in the United States cannot be over-emphasized. Obviously, here is a striking example where the desire to investigate the market situation in a foreign country before filing can be fatal if the resultant delay will deprive the applicant of patent protection abroad.

One should also keep in mind that under the law in certain countries a third party, who might be either an independent inventor or someone who derived his information from a United States inventor, may rush in with an application in that foreign country and acquire a valid patent.

Some Programs of the Office of International Patent and Trademark Affairs

In 1964, the Department of Commerce established an Office of International Patent and Trademark Affairs in the Patent Office. This new Office has as its long-range objective the development of international patent and trademark systems which will improve the protection of industrial property rights and enhance the economic interests of all patent owners. Ideally, of course, such a long-range goal would be recognized and enforceable in many countries.

A few statistics illustrate the growth of foreign filings. Specifically, in 1951, there were some 300,000 patent applications filed worldwide. In 1966 the number was more than double, approximately 650,000. U.S. nationals alone will file over 100,000 applications in foreign countries this year, while foreign nationals will file about 25% of the total number of applications filed in the United States during the same period. Obviously, this increase in cross-filings places an unnecessary burden on the examining patent offices of the world. It represents a wholesale duplication of searching and examining effort when common origin applications for the same invention are filed in a plurality of countries, especially at a time (1) when technological advances are being made throughout the world with ever-increasing speed; and (2) when most of the world's patent examining systems

are laboring under steadily growing backlogs of applications awaiting action.

Dynamic programs are already underway in the U.S. Office of International Patent and Trademark Affairs. These programs are aimed at meeting and solving the immediate problems confronting the protection of U.S. industrial property rights throughout the world, as well as proposing workable programs of international cooperation which will hopefully lead to such a harmonization of patent laws and procedures as to strengthen the patent systems of other countries and ultimately result in a workable international patent system acceptable to many countries.

To enumerate some of these programs:

1. *Search Exchange Programs*

In general, these programs involve cooperative exchanges of search results with other patent examining countries on corresponding applications which have been filed in each country. To date, the United States has been actively pursuing such exchange programs and studies with Germany and several other countries. Preliminary results indicate that this type of exchange is of considerable help to the U.S. examiner in his examination of applications where an earlier case has been filed and examined in one of the countries. This, of course, can lead ultimately to a substantial reduction in duplicate search effort by examiners in different countries where common origin applications are involved.

2. *Information Exchange Programs*

These programs are broader in scope than the Search Exchange Programs just mentioned and generally relate to joint studies with other countries concerning the feasibility of information exchanges as to not only search results, but examination results, priority data, furnishing of copies of references cited at different stages of the prosecution, and furnishing of copies of the Office actions in priority applications. Studies and proposals along one or more of these lines are being pursued with several other countries. In a word, the U.S. Patent Office is extremely interested in information exchange programs with other patent-minded nations which will strengthen the Patent Systems of the world and which will reduce or eliminate the duplication of professional and clerical work presently involved in processing duplicate patent applications in numerous countries.

3. *International Patent Survey*

The U.S. Patent Office recently conducted a survey of the foreign filing policies of some 230 U.S. companies which are active in the international field. One purpose of this survey was to obtain industry's attitudes toward the problems involved in foreign filings and their ideas as to how such problems might best be resolved. The results are now being tabulated and conclusions therefrom should be available shortly. Suffice it to say at this point, the Office was surprised to find that U.S. companies commonly file applications on the same inventions in more than six separate patent jurisdictions and often larger companies file in fifteen or more such jurisdictions.

4. *Documentation of Technical Data*

The United States is currently involved in activities with foreign governments directed toward international development of mechanical search systems. By means of punched cards and magnetic tapes, data from millions of patents are to be stored and retrieved mechanically. To date, five systems in separate technological fields have been adopted for shared use by member countries and some fifteen additional systems are under study and development.

The U.S. Patent Office is also studying the feasibility of adopting the International Patent Classification system (IPC), at least as a secondary or subsidiary system of classification, since adherence to the European Convention on the International Classification of Patents for Inventions may prove to be advantageous. For example, by adopting this international system, which is currently used by a number of European countries, the problem of reclassifying incoming foreign patents into our classification schedules could be eliminated. In addition, the creation of a subsidiary IPC search file would present an auxiliary search tool for use by both the U.S. patent examiner and others involved in patent search or research activities.

Along the same lines, but of broader scope, are the continuing studies of ways and means to harmonize the laws and procedures of the major patent systems. In this regard, the United States is actively participating in activities sponsored by the Secretariat of the Paris Convention, the United International Bureaux for the Protection of Industrial Property (BIRPI), and is participating, in an observer capacity, in the activities of the Council of Europe. BIRPI has recently taken steps toward assisting developing countries to improve their patent laws by sponsoring the draft of a Model Patent Law. Further,

BIRPI has sponsored training programs for government officials in developing nations under which they are sent to the patent offices of countries having established patent systems to receive training in the operations of such offices and to study the patent laws and practices of these countries.

5. *Trademark Programs*

Among the studies and endeavors in the area of protection of trademark rights throughout the world's markets, the Patent Office is considering the possible adherence by the United States to the Madrid Agreement for International Registration of Trademarks. Under this agreement, trademarks registered nationally in the country of origin of the trademark owner can, by a single international filing, accomplish the same result as filing individually in each of twenty other member countries. While twenty-one countries presently adhere to this Agreement, it is believed that a number of other countries are currently considering the possibility of becoming signatories to the Agreement in 1967 when certain revisions thereof become effective.

A second Patent Office study concerns the feasibility of the United States becoming a signatory to the Nice Agreement on International Classification of Goods and Services to which Trademarks are applied. Here again the Office has evidenced its deep concern in investigating all avenues which might lead to better international cooperation in achieving our goal of improving systems for the protection of industrial property to promote the beneficial exchange of products and services across not only state lines, but also across national boundaries into the ever-increasing markets of world trade.

The Department of Commerce welcomes the comments of American business firms, and attorneys, on the various issues of international industrial property rights discussed here.