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Discussion

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Discussion After the Speeches of Mr. Jancin and Mr. McBurney

**QUESTION, Professor King:** If you had to highlight three or four areas where the intellectual property situation in the home country adversely affects competitiveness, what would the most important areas be and what is their impact on IBM?

**ANSWER, Mr. Jancin:** This question is frequently asked, even by the U.S. government. I would not presume to speak for IBM, but I will attempt to be responsive to the question and give you my own view, which probably would not be contrary to an IBM view.

First, the Uruguay Round and in particular the intellectual property code in GATT, which has the strong support of the U.S. government, is of major importance. IBM was directly involved with and very supportive of the enactment of the Berne Copyright Convention in the United States by the last Congress. That is important because the effort in the GATT intellectual property exercise is to have high standards in the code. It is generally accepted that the international copyright convention with the highest standards is the Berne Convention. I think that is extremely important.

Second, a number of bilateral and multilateral negotiations are going on in the intellectual property area. Your speaker tonight is Michael Kirk, a U.S. government official who has a leadership role in the government with respect to intellectual property. He probably will address that to some extent, so I will leave that to him.

These negotiations are important because they help to eliminate or at least decrease piracy and counterfeiting, and that will tend to bring about free and fair trade.

**QUESTION, Professor King:** I have one question for Mr. McBurney before we get into general discussion.

You have presumably represented a number of U.S. companies and their works and inventions in Canada. While it talked about synchronizing these laws, the Free Trade Agreement did not really cover intellectual property as such. What are the main areas of discrepancy between the United States and Canada?

**ANSWER, Mr. McBurney:** Right now, since Canada has moved from a first-to-invent to a first-to-file system, the fact that the United States is still operating with a first-to-invent system is a problem. It is a problem not only because of the difference in the law, but because of the fact that the U.S. law in effect discriminates against foreigners by establishing priority based only on acts that took place in the United States.
In Canada, even under a first-to-invent system you could rely on an act that took place anywhere to establish convention priority. So that difference gives anybody who is operating in the United States a substantial advantage. That is one problem area.

The other problem area that we have is with your International Trade Commission ("ITC"). The procedures under the ITC that are available to a U.S. national are such that a person bringing products into the United States is really under a gun because there is a one year time limit for a decision once the action is filed. The plaintiff in an ITC action has as much time as is necessary in order to prepare that action, knowing that there is going to be a decision within one year. That is not true of the defendant, who is really faced with a problem.

**QUESTION, Mr. Fay:** The United States is adopting the right of intent-to-use. Is there any comment on how it is working in Canada and what the companies say?

**ANSWER, Mr. McBurney:** We refer to it as proposed use in Canada, and it is something that we have had for many years. We have operated very well with it. We have not seen abuse of the system of proposed use. It is a very effective mechanism for researching a trademark without having to actually use it before you can file an application to register it. You still cannot preempt that trademark, however, and within a finite period of time you must use it and file, declaring that that trademark is in use, otherwise you do not get the registration. So it does not seem to hurt anybody and it does seem to be of some benefit.

**QUESTION, Mr. Norris:** You mentioned that there was no doctrine of intervening right in the registration. What is the position of the trade secret practitioner, if another party later patents the technology?

**ANSWER, Mr. McBurney:** You have a situation like that under our new law. I believe that the patent would be perfectly valid. Because the invention was not made available to the public, it is not prior art as far as the applicant is concerned. The question really is whether the first party would then have any intervening right.

**QUESTION, Mr. Norris:** That is really my question. Is the practitioner of the trade secret barred, because of his commercial use, from intervening in later patent applications incorporating the technology?

**ANSWER, Mr. McBurney:** I do not think that the doctrine of intervening rights would apply in those instances. I think that the patent would be valid as against that person who was practicing it as a trade secret.

**COMMENT, Mr. Norris:** That seriously undercuts the ability of the innovator to choose the trade secret route.

**QUESTION, Mr. Strub:** What justifies the first-to-file rule?

**ANSWER, Mr. McBurney:** I think it was justified in Canada primarily on the basis of harmonization, in order to harmonize with the
European and Japanese. It was an effort to harmonize all our patent laws.

**COMMENT, Mr. Norris:** First, I do not view first-to-file as inconsistent with the doctrine of intervening rights. Some European systems have that and I hope it is something the United States would consider. Second, I want to address the problem. It does, I think, seriously reduce the availability of technology and the ability of the inventors to reserve the technology in confidence and use it commercially.

**COMMENT, Mr. McBurney:** I think you are probably right.

**QUESTION, Professor King:** How would intent-to-use affect our ability to join in the Madrid conventions on trademarks?

**ANSWER, Mr. Jancin:** I am going to pass on that because I am not that familiar with it. There may be a trademark practitioner here who could give you an answer.

**QUESTION, Mr. Mackey:** You mentioned some discussion of the GATT initiative at the Montreal meeting of the Licensing Executives Society in December. There was much discussion but no resolutions. Have you heard anything? I saw something in the paper indicating that there was some positive progress made in the past few weeks. What is the current status?

**ANSWER, Mr. Jancin:** As a matter of fact, I had a debriefing a few days ago. I do not intend to speak for the U.S. conference of the delegation, but I think this is an accurate characterization. The conclusion in the intellectual property area is satisfactory. Apparently the big breakthrough came when there was a resolution in the agriculture area, which had caused the gridlock in Montreal. As I understand it, countries such as Brazil and India were given enough latitude so they could say that they really had not given up anything, yet the language is such that the United States will permit the negotiations to continue.

The first substantive negotiations will take place on May 11 and 12, 1989. There is a long, hard road ahead of us. I think that we should be optimistic, although the negotiations could be derailed. Since there are any number of different negotiating areas, I would keep one eye on the U.S. government as we approach the end of the negotiations so that there will not be a trade-off that might adversely affect me, although in the intellectual property area, a trade-off might enable us to realize a success.

**QUESTION, Professor Shanker:** In listening to the two speakers I got the impression that the patent laws, which were designed to encourage innovation, may be having a countereffect. The rules are so technical that an innovator who does not know the rules or does not follow them, is going to lose protection. Even protecting yourself in one country may not protect you elsewhere. Do you have any comment? Have I misperceived what is going on?

**ANSWER, Mr. Jancin:** That is not the intent of the patent laws. The importance of good, solid, high-level intellectual property laws and
practices is to motivate companies to expend R&D funds for innovation. In order to do so, the right of protection must be enforceable under some judicial system for a limited period of time. The Constitution and laws of the United States say that there are exclusive rights for a limited period of time.

The amount of money a company invests in R&D depends upon the size of the enterprise. My own company has an annual R&D budget that is over a billion dollars a year. If it is impossible to recoup the investment, then who will invest?

COMMENT, Professor Shanker: I am not sure you are responsive to my question. I am sure IBM generally will be able to protect its investment long after innovation takes place. But in situations involving the less economically powerful or those less sophisticated than IBM, do the patent laws really encourage innovation or work at making it advantageous? If you have problems with technical rules you may not get protection elsewhere.

COMMENT, Mr. McBurney: I am sympathetic to what you say. We do have companies that do have all kinds of different rules and regulations with respect to patentability. The United States says you can get patent protection based on one year statutory borrowing. Canada says you can get patent protection based on two year statutory borrowing. Europe says absolutely not, there can be no publication of an invention anywhere in the world before you file your patent application.

Now, I think the problem is the myriad of different laws that exist throughout the world. If by virtue of harmonization you have to have one set of rules or regulations, then that makes a lot more sense than different countries all going over and doing their thing in a different way.

QUESTION, Mr. Fay: For five years now the United States has been concerned about harmonization. Would you give us your view of where we stand on harmonization?

ANSWER, Mr. Jancin: I attended a one-day meeting on the harmonization that is taking place among the Japanese, the Europeans and the Americans. When I left I had an Excedrin headache. It is something that has a great number of facets to it. Where will it go? I think that ultimately there will be patent harmonization, even though I think it may be more difficult than it appeared at first, and in fact this aspect of it may become controversial in the United States.

The U.S. Commissioner of Patents & Trademarks is viewing harmonization from the U.S. standpoint in the following fashion. He says that the United States will give on certain provisions, possibly including Section 104 of the U.S. law, if there is an adequate quid pro quo from the others. The real question is, what is an adequate quid pro quo?

I think that as we move ahead toward a resolution of the GATT intellectual property exercise, there will be more and more need for har-
monization, not only substantive harmonization, but administrative harmonization of records and research materials, and so forth.