

UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL

NATIONS UNIES

CONSEIL
ECONOMIQUE
ET SOCIAL

RESTRICTED
E/PC/T/2/138

30 May 1947

SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

Amendment to Article 39, paragraph 3, sub-paragraph f of the New York draft charter presented by the Delegation of the Netherlands

1. There exists a serious objection against art. 39, par. 3, sub. f., which may be the result of the fact that the proposed wording does not correctly reflect the intentions of the authors.

As compared with the wording of the sub-paragraphs a till e, the wording of sub-paragraph f is very broad and comprises consequently a prohibition of practices which the proponents themselves would certainly consider as entirely harmless in licensing agreements.

Besides, there exists in the various countries a great difference of legal opinion concerning "what is, or is not, "properly within the scope" of a right to a patent or a trade mark, and still more so concerning "what forms "the immediate subject of the authorized grant". The decision on such questions cannot be safely entrusted to an international committee of non-experts.

As an instance of the difficulty of this kind of questions reference may be made to the attached extract from a recent decision of the Supreme Court of the U.S.A., in the case of Transparent-Wrap Machine Corp. versus Stokes & Smith Co., of February 3, 1947 (72 USPQ page 148) (Note 1).

2. It seems evident that the intention of the above-mentioned paragraph is to prohibit the so-called "tying clauses" in licensing-contracts. With such clauses the patent-holder obliges his licence-holder to make use of certain non-patented primary commodities or spare parts when applying the patented invention or engine. E.g. the licensee is obliged to obtain such commodities or spare parts from a specific supplier.

In such a way the patent, which has been granted by the Government is made use of for purposes which have no connection with the invention for which the Government has given its protection. This is considered an abuse of that protection to the disadvantage of the trade and the public.

In the U.S.A. it is Section 3 of the Clayton Act of 1924 which declares such restrictive conditions illegal and the Supreme Court has continuously become more rigorous in the application of the act since the first decision in the case of the United Shoe Machinery Company.

3. However the wording of the Litt.f. comprises also stipulations of a harmless character which often occur in licensing agreements and concern the granting of technical assistance ("know-how"). It is entirely admissible to attach certain conditions to such assistance. It is besides customary in such contracts to imply a licensing agreement in the inverse sense, viz. from the licensee to the licensor, and even to stipulate the cession by the licensee to the licensor of patent rights on inventions which the licensee may have found in applying the fundamental convention of the licensor.

If such stipulations were to be declared inadmissible, this would have a very untoward influence in the interchange of technical progress between big enterprises which can afford extensive research and smaller enterprises which cannot. Such prohibitions would foster monopoly.

For these reasons the first part of this paragraph seems to require a modification.

4. The second part concerns the extent of the protection given to a granted right of patent or of trade mark, in other words the question whether these rights should be interpreted in a more extensive or in a restricted way. About this matter there exist widely diverging views between the various countries.

As more or less opposite views one may compare the American rule "that what is not claimed is disclaimed" (which may still be interpreted in several ways), with the French system which does not prescribe any specific conclusion or claim for a patent application ("although such applications sometimes are summed up in a not legally necessary "résumé"; but never in a "révendication").

Between those two stands the Netherlands Jurisprudence which for the interpretation emphasizes the invention-factor.

A related question is that of the so-called "contributory infringement" of patent rights. This concerns the providing of means or instruments, necessary to or not for the application of production of a patented invention or product, whilst those means or instruments themselves are not an object of the patent. Netherlands, and other, jurisprudence consider this inadmissible if the supplier knows or ought to know that the buyer will therewith commit an infringement of a patent. But in the U.S.A. there exists a tendency to limit the inadmissibility of "contributory infringement", which tendency is therefore to the disadvantage of the patent-holder.

In the trend of thought that "contributory infringement" should be prohibited, the second part of the paragraph f. should not be maintained.

At first view this might seem not easily acceptable to countries where contributory infringement is considered with a more lenient eye. However it should be taken into account that when this second part would be omitted, the law-courts of those countries would still be in a position to allow any such supply in as far as considered justified.

Conversely, to countries who do take a more severe standpoint, the second part of the paragraph is in direct conflict with their legal practice.

It would probably be an acceptable middle way, if the word "immediate" would be deleted.

This would afford sufficient liberty for the application of the jurisprudence which is presently being adhered to in the different countries.

Conclusion: Amend art.39, par.3, subparagraph. as follows:

(first part) "attaching to the exercise of rights under patents, trade marks or copy rights, conditions which unduly restrict the use of matters not covered by such patents, trade marks or copy rights"

(second part) delete, or to read as follows:

"or extending the use of these rights to products or conditions of production, use or sale which are not subjects of the authorized grant"