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Recent Decisions

Robert S. Patterson

George M. Taylor, III

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RECENT DECISIONS

ACT OF STATE DOCTRINE—LIMITATION ON APPLICATION OF THE ACT OF STATE DOCTRINE IN EXTRATERRITORIAL PRIVATE ANTITRUST SUIT

I. FACTS

Timberlane Lumber Company¹ filed an action² against the Bank of America³ under the Sherman Antitrust Act⁴ alleging a conspiracy to preclude its entrance into the Honduran lumber export market. Timberlane, an Oregon partnership seeking alternate sources of lumber, purchased a bankrupt Honduran log processing plant⁵ on which the defendant, Bank of America, held a lien.⁶

1. The three affiliated plaintiffs in this case are: Timberlane Lumber Company [hereinafter referred to as Timberlane], Danli Industrial, S.A., and Maya Lumber Company, S. de R.L. The latter two are Honduran corporations, incorporated and principally owned by the general partners of Timberlane.

2. Three tort actions based upon diversity of citizenship were filed. The actions were for personal injuries inflicted by Honduran troops who "paralyzed" Timberlane's operations pursuant to the orders of the court appointed "interventor."

3. There is an extensive list of defendants, all of whom are involved with the Bank of America and its wholly owned subsidiary, Bank of America National Trust and Savings Association.

4. 15 U.S.C. §§ 1-2 (1970). The Sherman Act provides:

Every contract, combination in the form of trust, or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor

. . . .

The action is also brought under the Wilson Tariff Act, 15 U.S.C. § 8 (1970), which states in part:

Every combination, conspiracy, trust, agreement, or contract is declared to be contrary to public policy, illegal, and void when the same is made by or between two or more persons or corporations, either of whom, as agent or principal, is engaged in importing any article from any foreign country into the United States, and when such combination, conspiracy, trust, agreement, or contract is intended to operate in restraint of lawful trade, or free competition in lawful trade or commerce

5. Lima, the bankrupt log processing plant, had allegedly been forced out of business by its competitors and the Bank of America. After an adjudication in bankruptcy, various interests in Lima passed to its creditors: Casanova, a competitor of Timberlane; the Bank of America; and a group of Lima employees who were owed wages and severance pay.

Despite Timberlane's "substantial cash offer"⁷ to purchase the lien, the Bank sold it for "questionable consideration"⁸ to a representative⁹ of two companies controlling Honduran lumber exports. The representative obtained a Honduran court-ordered attachment¹⁰ precluding the sale of the plant and had an "intervenor"¹¹ appointed to prevent any diminution of the property's value.¹² Acting through the intervenor,¹³ Honduran guards and troops were used to "cripple"¹⁴ Timberlane's operations. Plaintiff contended this attempt to maintain control of the Honduran lumber export market constituted an intentional interference with foreign commerce in violation of United States antitrust law. The district court dismissed the action, having found that the Honduran court order constituted an "act of state." As an alternative ground for dismissal, the district court found that there was no "direct and substantial" effect on United States foreign commerce, which the court felt was prerequisite to subject matter jurisdiction.¹⁵ On appeal to the United States Circuit Court of Appeals for the Ninth Circuit, *held*, reversed and remanded.¹⁶ Where a court order of a

6. Timberlane actually formed Maya in January 1972, to purchase the interest owned by the mill's former employees. Under Honduran law the former employees held a priority interest for their unpaid wages and severance pay. Timberlane did not acquire full interest in the log processing plant by purchasing this priority interest, however, since the Bank's and Casanova's interests were only subordinated not preempted.

7. 549 F.2d 597, 604 (9th Cir. 1976).

8. *Id.*

9. The Bank sold the lien to one of Timberlane's competitors, Casanova, which also held a claim against Timberlane's interests. Casanova paid nothing for the claim and agreed only to pay the Bank a portion of what it collected. Casanova immediately assigned both claims to Caminals on similar terms. Caminals, as representative, then instituted judicial proceedings in the Honduran court.

10. Under Honduran law, this attachment or "embargo" is registered with the Public Registry. 549 F.2d at 604.

11. *Id.* Honduran law provides for a judicially appointed officer, an "intervenor."

12. The opinion states only that these actions were taken in an attempt to paralyze Timberlane's operations. *Id.* at 605.

13. *Id.* The intervenor has since been accused of being on the Bank's payroll.

14. *Id.*

15. *Id.* at 601. The district court did not issue any specific findings of fact or extensive conclusions of law.

16. The three affiliated tort actions were dismissed with the antitrust cause of action on the grounds of *forum non conveniens*. The Circuit Court vacated those dismissals and remanded.

foreign sovereign is not required by law or foreign policy, and the order does not reflect a comprehensive analysis of competing government interests, the action may not be dismissed as an "act of state" or for want of subject matter jurisdiction. *Timberlane Lumber Company v. Bank of America*, 549 F.2d 597 (9th Cir. 1976).

II. LEGAL BACKGROUND

The United States Constitution grants Congress the power "to regulate Commerce with foreign Nations."¹⁷ Acting upon that authority, Congress has passed several acts with international regulatory effect, including the Sherman Antitrust Act and the Wilson Tariff Act. The scope of the Sherman Antitrust Act is no better defined today than when the Act was first passed in 1890,¹⁸ primarily because the "act of state" doctrine has screened out and precluded many actions otherwise reviewable under the Sherman Antitrust Act. In *Underhill v. Hernandez*¹⁹ the Supreme Court first enunciated the "act of state" doctrine,²⁰ stating that the courts of this country would not sit in judgment of foreign governments within their own territories. In the eighty years since *Underhill*, the decisions relying on the "act of state"²¹ doctrine have emphasized a variety of factors, including comity²² and sovereign authority.²³

17. U.S. CONST. art. 1, § 8, cl. 3.

18. The Sherman Antitrust Act contains imprecise, undefined terms such as "trade or commerce." See, e.g., *Pacific Seafarers, Inc. v. Pacific Far East Line, Inc.*, 404 F.2d 804 (D.C. Cir. 1968), cert. denied, 393 U.S. 1093 (1969), which rejected a restrictive definition of foreign commerce in order to acquire jurisdiction over a shipping conference that allegedly conspired to exclude newcomers from the transportation of AID financed carriers.

19. 168 U.S. 250, 252 (1897).

20. "Act of state" is a special rule modifying the ordinary rules of conflict of laws. . . . [It] says that the foreign 'law' [i.e. the act of state] must govern certain transactions and that no public policy of the forum must stand in the way." Henkin, *Act of State Today: Recollections in Tranquility*, 6 COLUM. J. TRANSNAT'L L. 175, 178 (1967).

21. The "act of state" doctrine was further developed in *Oetjen v. Central Leather Co.*, 246 U.S. 297 (1918), and *Ricaud v. American Metal Leather Company*, 246 U.S. 304 (1918), wherein relief was denied on the "principle that the conduct of one independent government cannot be successfully questioned in the courts of another"

22. Justice Holmes maintained it would be "an interference with the authority of another sovereign, contrary to the comity of nations" for another jurisdiction to apply its own laws to acts done outside its boundaries. *American Banana v. United Fruit Co.*, 213 U.S. 347, 356 (1909). See also *Strassheim v. Daily*, 221 U.S. 280 (1910).

23. Cf. *Whitney, Sources of Conflict Between International Law and the Anti-*

Recent decisions have cited the Court's comprehensive analysis of the "act of state" doctrine in *Banco Nacional de Cuba v. Sabbatino*.²⁴ Examining the Cuban expropriation of American property, the Supreme Court reasoned that the Constitution gave the Executive primary competency in foreign affairs.²⁵ The Court recognized that it had to consider national and international goals and policy before exercising jurisdiction.²⁶ Later interpretation of the *Sabbatino* decision by the courts, however, did not recognize the "act of state" doctrine as a grant of absolute immunity.²⁷ Subsequent decisions have continued to distinguish between compliance with a sovereign's broad economic policy²⁸ and the sovereign's imposition of a specific policy resulting in protected monopolistic actions.²⁹ Furthermore, the courts have consistently held that the "act of state" doctrine does not protect those actions in which the defendant voluntarily participates³⁰ or which he intentionally procures.³¹ On the other hand, if the defendant's actions are not pro-

trust Laws, 63 YALE L.J. 655, 656-60 (1954).

24. 376 U.S. 398 (1964), *rev'g* 307 F.2d 845 (2d Cir. 1962). The Supreme Court held that the "act of state" doctrine required the courts to give effect to Premier Castro's nationalizations of American sugar properties in Cuba, even if these nationalizations violated international law.

25. *Id.* at 432. *See also* P & E Shipping Corporation v. Banco Para el Comercio Exterior de Cuba, 307 F.2d 415 (1st Cir. 1962). The court remanded to elicit the view of the executive branch concerning the right of Cuba to sue.

26. *Id.* at 428. *Cf.* Sabre Shipping Corp. v. American President Lines, Ltd., 285 F. Supp. 949 (S.D.N.Y. 1968) in which the court in denying summary judgment noted that government direction "even if established in their favor would not necessarily immunize them from prosecution . . ." *Id.* at 954.

27. *Continental Ore v. Union Carbide*, 370 U.S. 690 (1962).

28. *See note 29 supra. See also* RESTATEMENT (SECOND) FOREIGN RELATIONS LAW OF THE UNITED STATES § 41 (1965): "[A] court in the United States . . . will refrain from examining the validity of an act of a foreign state by which that state has exercised its jurisdiction to give effect to its public interests."

29. Defendants in *United States v. Minnesota Mining & Manufacturing*, 92 F. Supp. 947 (D. Mass. 1950), argued unsuccessfully that agreements in restraint of trade were reasonable because of foreign business conditions. *See also* Alfred Dunhill of London, Inc. v. The Republic of Cuba, 425 U.S. 682 (1976) (Cuban interventor's failure to repay monies owed did not constitute an "act of state").

30. *See, e.g., United States v. General Electric Co.*, 82 F. Supp. 753 (D.N.J. 1949). Plaintiffs there asserted that G.E. furthered its monopoly of incandescent lights in the United States through territorial trade restrictions and a cartel agreement with, among others, N.V. Philips. Philips maintained that as a foreign corporation it could only be liable for the wilful restraint of U.S. trade. The court found that Philips knew or should have known that its actions would further the G.E. incandescent lamp monopoly in violation of American antitrust laws.

31. *Interamerican Refining Corp. v. Texaco Maracaibo, Inc.*, 307 F. Supp.

tected by the "act of state" doctrine, they may then be examined by the courts for violation of U.S. antitrust laws. The "act of state" doctrine focuses upon the acts and policies of the foreign sovereign,³² whereas the determination of subject matter jurisdiction under the Sherman Antitrust Act is concerned with the effect³³ of the individual's actions³⁴ on American commerce. This distinction is clearly illustrated in *Occidental Petroleum v. Buttes*.³⁵ Despite finding sufficient anticompetitive effects to establish subject matter jurisdiction,³⁶ the court held that the intervention of British

1291 (D. Del. 1970). A Venezuelan boycott forbidding the sale of crude oil to the plaintiff was held to be a complete defense to antitrust liability. *Cf.* *United States v. Watchmakers of Switz. Information Center, Inc.*, [1963] Trade Cas. ¶ 70,600 (S.D.N.Y. 1965) *order modified*, [1965] Trade Cas. ¶ 71,352 (S.D.N.Y. 1965), where the Swiss government had passed legislation to aid trade unions in their protection of the watch industry. The court there failed to find the compulsion necessary to establish a complete defense to antitrust liability. *See also* *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 707 (1962); *Interamerican Refining Corp. v. Texaco Maracaibo, Inc.*, 307 F. Supp. 1291 (D. Del. 1970). The court noted that when companies have no choice but to obey, "[a]cts of business become effectively acts of the sovereign. *Id.* at 1298; W. FUGATE, FOREIGN COMMERCE AND THE ANTITRUST LAWS, 74-75 (2d ed. 1973).

32. *See* *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690 (1962); *see also* *United States v. Watchmakers of Switz. Information Center, Inc.*, [1963] Trade Cas. ¶ 70,600 (S.D.N.Y. 1962), *order modified*, [1965] Trade Cas. ¶ 71,352 (S.D.N.Y. 1965).

33. [1960] Trade Cas. ¶ 69,849 (S.D.N.Y. 1960). *United States v. Standard Oil Co.* is noteworthy only in its attempt to define "effect." The decision found certain activities completed in three or more nations simultaneously by certain combinations of the world's major oil companies in violation of American antitrust laws.

34. *United States v. Sisal Sales Corp.*, 274 U.S. 268 (1926). The complaint alleged that several American corporations and a Mexican corporation had eliminated competition in the importation of sisal. By means of discriminatory legislation secured by the defendants in Mexico, the Sisal Sales Corporation became the sole importer of sisal into the United States. The Court noted that the "conspirators were aided by discriminating legislation, but by their own deliberate acts, here and elsewhere, they brought about forbidden results within the United States." *Id.* at 276; *United States v. General Electric Co.*, 82 F. Supp. 753 (D.N.J. 1949). *Cf.* *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952); *Interamerican Refining Corp. v. Texaco Maracaibo, Inc.*, 307 F. Supp. 1291 (D. Del. 1970).

35. 331 F. Supp. 92 (C.D. Cal. 1971), *aff'd per curiam*, 461 F.2d 1261 (9th Cir. 1972), *cert. denied*, 409 U.S. 950 (1972). The complaint charged that the defendant had conspired with the British Foreign Office, Iran, and some of the Trucial states to create an international boundary dispute involving an oil concession in the Persian Gulf held by Occidental. The result of the dispute was the introduction of British military forces and the deprivation of Occidental's oil concession.

36. 331 F. Supp. at 103.

troops in a Persian Gulf boundary dispute required dismissal of the suit because it involved an "act of state."³⁷ Although more limited in its international³⁸ rather than in its domestic application,³⁹ the scope of subject matter jurisdiction under the Sherman Act is nevertheless still unclear. The broadest judicial grant of subject matter jurisdiction may be found in *United States v. Aluminum Company of America*.⁴⁰ The court examined the effect of an exclusively foreign aluminum cartel agreement on American commerce,⁴¹ notwithstanding the lack of action or individual involvement within the United States. The opinion marked the first declaration by an American court that the Sherman Antitrust Act proscribed restrictive agreements wherever entered into or consummated if "they were intended to affect and did affect" imports into the United States.⁴² The factors of intent and effect have more recently been joined by a number of other considerations,⁴³ including the possi-

37. *Id.* at 110.

38. [T]he basic aims of the Sherman Act policy against "undue limitations of competitive conditions" require that the words "trade and commerce" have the same scope in their application to foreign commerce as to domestic commerce. The Sherman Act is not, of course, intended to protect foreign consumers against monopoly in their home markets. Instead, its operative hypothesis should be to encourage the competitive allocation of American resources to investment whether at home or abroad, depending on the usual indicia of profit, in the interest of maximizing the long run economic welfare of the United States.

REPORT OF THE ATTORNEY GENERAL'S NATIONAL COMMITTEE TO STUDY THE ANTITRUST LAWS 79 (1955).

39. *United States v. Southeastern Underwriters Ass'n.*, 322 U.S. 533, 558 (1944). This case states that the Sherman Antitrust Act should be extended to encompass the full scope of the commerce power in its domestic application.

40. 148 F.2d 416 (2d Cir. 1945).

41. Aluminum Company of America (Alcoa) and another of the defendants, Aluminum Limited (Limited), a Canadian corporation, were charged with conspiring with foreign producers to restrain interstate and foreign commerce. Though Limited was originally formed to manage Alcoa's non-U.S. properties, the two companies later became entirely separated. Limited and a number of foreign corporations formed a cartel which operated through a Swiss corporation. The shareholders agreed to include imports into the United States in their quota system. The United States Circuit Court of Appeals for the Second Circuit held that Alcoa was not a member of the cartel. The court found, however, that Limited, a foreign corporation, was in violation of the Sherman Antitrust Act.

42. 148 F.2d at 444.

43. The cases seem to indicate that the required intent is a generalized intent to affect United States commerce. *United States v. General Electric Co.*, 82 F. Supp. 753 (D.N.J. 1949). Furthermore, a person may be presumed to intend the natural consequences of his action. *Addyston Pipe & Steel Co. v. United States*, 175 U.S. 211 (1899).

bility of reaching a similar conclusion under foreign law,⁴⁴ the characterization of the action as being consistent with foreign policy,⁴⁵ the possibility of foreign non-recognition of the American decision,⁴⁶ the nationality of the parties,⁴⁷ and the situs of the act.⁴⁸ Unfortunately, the courts have not been able to agree upon which of these considerations should be emphasized. Their indecision is reflected in the variety of standards applied to this jurisdictional question,⁴⁹ the most popular being the "direct and substantial" effects test,⁵⁰ which seems to emphasize the effect factor and the

44. Generally, each state is competent to punish a foreigner for his acts outside of its territorial boundaries if such acts would constitute a crime within the boundary of the state. See 37 YALE L.J. 484 (1928); Haight, *International Law and the Extraterritorial Application of the Antitrust Laws*, 63 YALE L.J. 639, 643 (1954).

45. *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690 (1962); *United States v. Watchmakers of Switz. Information Center, Inc.*, [1963] Trade Cas. ¶ 70,600 (S.D.N.Y. 1962), *order modified*, [1965] Trade Cas. ¶ 71,352 (S.D.N.Y. 1965).

46. *United States v. Imperial Chemical Industries, Ltd.*, 100 F. Supp. 504 (S.D.N.Y. 1951). The American court there proceeded to judgment in spite of its knowledge of a related action pending in the British courts. The British court subsequently rendered a different judgment and thereby made compliance with both decrees impossible. In *United States v. Holophane Co.*, 119 F. Supp. 114 (S.D. Ohio 1954), *aff'd per curiam*, 352 U.S. 903 (1956), the court did manifest an awareness of the possibility that a foreign court would not cooperate with its judgment.

47. *Blackmer v. United States*, 284 U.S. 421, 437 (1932); HALL, *INTERNATIONAL LAW* 56-57 (8th ed. 1924); *RESTATEMENT (SECOND) OF THE FOREIGN RELATIONS LAW OF THE UNITED STATES* § 65 (1965). *But see* *United States v. National Lead Co.*, 63 F. Supp. 513 (S.D.N.Y. 1945), *aff'd* 332 U.S. 319 (1947). The court there placed greater emphasis on the effect of the conspiracy than it did on the nationality of the parties.

48. *American Tobacco v. United States*, 328 U.S. 781 (1946); *American Banana v. United Fruit Co.*, 213 U.S. 347 (1909). This case slightly expanded the territorial restriction policy expressed in *American Banana* and applied the principle of objective territorial jurisdiction.

49. *Thomsen v. Caysen*, 243 U.S. 66, 88 (1917) (affected the foreign commerce in this country); *United States v. Timken Roller Bearing Co.*, 83 F. Supp. 284, 309 (N.D. Ohio 1949), *modified and affirmed*, 341 U.S. 593 (1951) (direct and influencing effect); *United States v. General Electric Co.*, 82 F. Supp. 753 (D.N.J. 1949) (deleteriously affected commerce); *United States v. National Lead Co.*, 63 F. Supp. 513 (S.D.N.Y. 1945), *aff'd*, 332 U.S. 219 (1947) (affecting American commerce).

50. *United States v. Watchmakers of Switz. Information Center, Inc.*, [1963] Trade Cas. ¶ 70,600 (S.D.N.Y. 1962), *order modified*, [1965] Trade Cas. ¶ 71,352 (S.D.N.Y. 1965); *United States v. R.P. Oldham Co.*, 152 F. Supp. 818 (N.D. Cal. 1957); *RESTATEMENT (SECOND) OF THE FOREIGN RELATIONS LAW OF THE UNITED*

importance of non-interference with foreign policy. Unfortunately, the "direct and substantial" effects test does not enjoy universal application, and as yet there are no adequate guides to the determination of subject matter jurisdiction under the Sherman Antitrust Act.

III. THE INSTANT OPINION

After dispensing with a complicated procedural issue,⁵¹ the instant court turned first to an analysis of the "act of state" doctrine.⁵² Beginning with *Underhill v. Hernandez*,⁵³ the court examined the facts and analyses of several recent decisions applying the "act of state" doctrine.⁵⁴ The instant court concluded that the potential for interference with foreign relations emphasized in *Sabbatino* is the most crucial element in the doctrine. On the basis of this conclusion the instant court decided that the district court had erred in dismissing the action.⁵⁵ The instant court found that the actions of the Honduran court and government authorities did not reflect a sovereign decision that Timberlane's efforts were to be "crippled" or that trade with the United States was to be restrained.⁵⁶ Moreover, the court found that rendering a decision in the instant action would not threaten United States-Honduran relations.⁵⁷ Thus, the court denied any dismissal of the action because of an "act of state." Proceeding to the issue of subject matter jurisdiction under the Sherman Antitrust Act,⁵⁸ the instant court reviewed the past applications of American antitrust laws abroad.⁵⁹ Enumerating the different standards⁶⁰ that have been applied, the court noted the popularity of the "direct and substan-

STATES § 18 (1965); W. FUGATE, FOREIGN COMMERCE AND THE ANTITRUST LAWS 126 (1958).

51. The defendant's motion to dismiss was granted by the district court without any specific findings of fact or conclusions of law. Therefore, the instant court could not determine from the district court's record or from the pleadings whether the motion was granted as a F.R. Civ. P. 12(b) or a F.R.Civ.P. 56 dismissal. The court decided to treat the dismissal as a Rule 12(b)(6) dismissal.

52. 549 F.2d at 605.

53. 168 U.S. 250 (1897).

54. 549 F.2d at 607.

55. *Id.* at 608.

56. *Id.*

57. *Id.*

58. *Id.* at 609.

59. The instant court carefully distinguished the two issues, dividing the opinion into sections entitled "Act of State" and "Subject Matter Jurisdiction."

60. See note 49 *supra*.

tial" effects test,⁶¹ but concluded that the effects test was incomplete without a consideration of the foreign nation's interests.⁶² The court then suggested a new three-tiered analysis.⁶³ The court first asked if there were sufficient anticompetitive effects on American commerce to sustain subject matter jurisdiction, and concluded in the instant case that there were. Second, the court inquired into the nature of these effects and found that they were sufficiently broad to establish a cognizable injury to the plaintiffs and a possible violation of United States antitrust laws. Finally, the court considered whether the United States interests were strong enough to warrant the court's extraterritorial authority in spite of the foreign nation's interests. The instant court concluded the question required consideration of the degree of conflict between the respective forum countries' laws or policy, the nationality or allegiance of the parties, the principal place of business of either party, the relative importance of the violation in the forum states, and the extent to which enforcement by either state can be expected to achieve compliance.⁶⁴ Though the lower court found no apparent violation of Honduran law or policy, it did not analyze the relative interests of the United States and Honduras.⁶⁵ The court therefore reversed the district court's decision and remanded the case for a consideration by the lower court of the competing interests of the United States and Honduras.⁶⁶

IV. COMMENT

The instant court's decision is valuable in its attempt to reconcile prior decisions with the latest developments in extraterritorial antitrust. The court established a necessary distinction between the application of the "act of state" doctrine and the determination of subject matter jurisdiction under the Sherman Act, thereby sustaining the analytical scheme of *Occidental Petroleum v.*

61. See note 50 *supra*.

62. 549 F.2d at 611.

63. *Id.* at 613.

64. *Id.* at 614.

65. *Id.* at 615.

66. The instant court also vacated and remanded the judgments in the three tort actions, *supra* note 2. The court found that those actions were decided after the Timberlane action had been dismissed and that this had changed the circumstances sufficiently to warrant remanding the case to the district court for fresh consideration.

Buttes.⁶⁷ Moreover, the instant court recognized the difference between acts by a foreign sovereign and acts by an individual. The acts of a foreign sovereign remain unreviewable in United States courts due to the "act of state" doctrine. The acts of an individual, however, should, as in the instant case, be given a different and independent analysis. In establishing this analysis, the instant court utilized the factors enumerated in previous decisions while emphasizing the necessity of balancing the competing interests of the possible forum states.⁶⁸ Although the court consciously adopted the factors most relevant to the acts of individuals as opposed to foreign sovereigns,⁶⁹ the list remains open-ended and subject to varying application. Thus, neither the courts nor the practitioner have been provided with a clear standard from which to work. The instant decision is an evolutionary step in the development of extraterritorial antitrust but it falls short of establishing a workable standard. What the decision does point out is that the courts lack the experience and expertise necessary to deal effectively with the application of antitrust laws abroad. This inexperience will further erode the consistent application of United States antitrust laws abroad as the courts begin to hear cases involving less obvious offenses and less significant effects on United States commerce.⁷⁰ If, as *Sabbatino* suggests,⁷¹ the primary competency of the Executive in foreign affairs is to be the major factor in determining antitrust jurisdiction, the Attorney General may ultimately be vested with exclusive power to bring suit. That office could provide the needed expertise to litigate these complicated issues of extraterritorial antitrust. Alternatively, a court of exclusive extraterritorial jurisdiction might be established to provide the experience and expertise necessary to the consistent application of our laws abroad.

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67. 331 F. Supp. 92(C.D. Cal. 1971), *aff'd per curiam*, 461 F.2d 1261 (9th Cir. 1972), *cert. denied* 409 U.S. 950 (1972).

68. 549 F.2d at 613.

69. *Id.* at 614.

70. Most of the litigated cases to date have involved relatively obvious offenses and significant effects on United States commerce. Rahl, *Foreign Commerce Jurisdiction of the American Antitrust Laws*, 43 ANTITRUST L.J. 521, 523 (1974).

71. See note 24 *supra*.

PATENT LAW—U.S. APPLICATION BY FOREIGN INVENTOR—
UNCLAIMED DISCLOSURES IN FOREIGN APPLICATION GOOD AS
“PRIOR ART” ONLY FROM THE DATE OF U.S. FILING

I. FACTS

Plaintiffs,¹ joint developers of a vulcanizing compound,² filed this *ex parte* prosecution on a patent application filed June 6, 1973,³ after losing an interference⁴ covering similar subject matter to defendants.⁵ Although defendants did not file application in this country until November 5, 1968, they prevailed in the interference by claiming the benefit of a Netherlands filing date of October 12, 1962.⁶ The Examiner rejected the claims under 35 U.S.C. § 103,⁷ relying alternatively on the previous interference and on the existing patent covering the same subject matter.⁸ The Patent and Trademark Office Board of Appeals affirmed the Examiner's rejection on the grounds that the claims were either within the scope of the invention contained in the counts of the interference or were

1. The three plaintiffs, residents of the United States, jointly developed the subject matter of the dispute in the United States.

2. For a technical description, see *Application of McKellin*, 529 F.2d 1324, 1331 (1976).

3. Serial No. 285,857, filed in United States Patent and Trademark Office on June 6, 1963.

4. Patent Interference No. 97,329.

5. This *ex parte* prosecution is a continuation in part of the previous application by the plaintiffs under Application Serial No. 866,420, filed September 30, 1969, for “New Vulcanizable and Vulcanized Compositions Containing Polyperoxide.” 529 F.2d at 1325. The vulcanizing compounds described in the present action represent a class of compounds broader than that involved in the interference. *Id.*

6. Defendants P.R.A. Maltha and S.B. Tiljssen developed the patented compound in the Netherlands. There is no evidence of record in this country as to their invention other than that contained in the application and subsequent interference. Netherlands Application No. 284,315, filed October 12, 1962. The Maltha patent was issued as United States Letters Patent 3,409,600, on November 5, 1968.

7. The section states in relevant part:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in Section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

35 U.S.C. § 103 (1970).

8. 529 F.2d at 1325.

obvious variations thereof.⁹ The Board denied the use of the foreign filing date for determining the merit of the claim as "prior art" but gave effect to the application as "prior art" as of its filing date under the theory that the applicant was not entitled to claims that he had specifically lost in the interference.¹⁰ On appeal to the present court, the Commissioner of Patents and Trademarks argued that the counts which appellants lost in the interference were "prior art" to appellants under 35 U.S.C. § 135 because under that section a determination of priority of invention adverse to an applicant constitutes the final refusal by the Patent and Trademark Office of the claims involved.¹¹ On appeal to the Court of Customs and Patent Appeals, *held*, reversed. Where the disclosures in a foreign application are unclaimed, their value as "prior art" dates from the date of United States filing. *Application of McKellin*, 529 F.2d 1324, 188 U.S.P.Q. 428 (1976).

II. LEGAL BACKGROUND

Statutory authority for awarding priority rights to foreign applicants for United States patents is found in 35 U.S.C. § 119. If an application is filed in the United States within twelve months from the date on which application for a foreign patent on the same subject matter was filed, the United States application has the same effect as if it had been filed originally in the United States on the date it was filed abroad.¹² Section 119 was enacted to meet

9. *Id.* at 1326. The Board did not deal with the contention that the previous Maltha patent barred the application.

10. *Id.* Judge Markey, in his concurring opinion in the instant case, remarked that the Board, although disclaiming the use of the foreign priority date as the relevant date for determination of "prior art," could not have reached its decision by any other means. *Id.* at 1332.

11. Section 135 reads in relevant part:

Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, he shall give notice thereof to the applicants, or applicant and patentee as the case may be. The question of priority of invention shall be determined by a board of patent interferences (consisting of three examiners of interferences) whose decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent Office of the claims involved, and the Commissioner may issue a patent to the applicant who is adjudged the prior inventor.

35 U.S.C. § 135(a) (Supp. V 1975).

12. 35 U.S.C. § 119 (1970). This provision was derived from and is substantively identical to the provision found in Section 1 of the Patent Act of 1903, Pub. L. No. 169, ch. 1019, 32 Stat. 1225.

the obligations of the United States under the Convention of Paris for the Protection of Industrial Property.¹³ Article II of the Convention accords to nationals of any country party to the Convention the same advantages in other countries that the citizens of those countries have.¹⁴ Article IV of the Convention provides that any person who has filed an application for patent in a foreign country shall enjoy a right of priority for a period of twelve months for the purpose of filing an application in another country.¹⁵ The United States courts have had difficulty in integrating the provisions of section 119 with the patent-defeating provisions of section 102, under which an applicant will be denied a patent if his invention was described in a patent granted on another application filed in the United States before his application.¹⁶ The Commissioner of

13. March 20, 1883, 25 Stat. 1327, T.S. No. 379 (current version at 13 U.S.T. 1, T.I.A.S. No. 4931) [hereinafter cited as Convention]. The Convention was signed in Paris in 1883 but was not ratified by the United States until 1887. The Convention was revised at Brussels in 1900, 32 Stat. 1935, T.S. No. 411, prior to the enactment of the enabling legislation in the United States in 1903.

14. Convention, *supra* note 13, art. 4.

15. *Id.*

16. The provisions determining the effect of foreign patents as prior art state: A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or . . . (d) the invention was first patented or caused to be patented by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application filed more than twelve months before the filing of the application in the United States, or (e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or . . . (g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

35 U.S.C. § 102 (1970). Section 102(e) was enacted as part of the Patent Reform Act of 1952, Pub. L. No. 593, 66 Stat. 797. That provision enacts the position of the Supreme Court in *Milburn v. Davis-Bournonville*, 270 U.S. 390 (1976) to the effect that "a United States patent disclosing an invention dates from the date of filing the application for the purpose of anticipating a subsequent inventor." Reviser's Note, 35 U.S.C.A. § 102 (1952). The *Milburn* case rejected the claimed

Patents initially took the position that section 119 did not alter the effective date of United States patent applications under section 102.¹⁷ For purposes of determining "prior art" under section 102, the Commissioner found that the relevant date was the date in which the patent was filed in the United States, not the priority date awarded by section 119.¹⁸ The Commissioner's interpretation was based on the assumption that the provisions of the Patent Act of 1903 were no broader in effect than the provisions of Article IV of the International (Paris) Convention.¹⁹ The ruling by the Commissioner as set out in the Manual of Patent Examining Procedure²⁰ was never challenged in the courts. The Commissioner of Patents abandoned this position on May 27, 1964, in a Notice which declared that the "foreign filing date is considered the effective date in those situations where claimed subject matter of the domestic patent . . . is being used as the basis for rejection, and where no question of interference exists."²¹ The Commissioner's ruling was sustained by the District Court of the District of Columbia in *Eli Lilly & Co. v. Brenner*.²² The *Lilly* court, noting that identical phrasing had been used in two sections of the Act²³ and that the drafters of the statute had contemplated that the various provisions would be read together,²⁴ read section 102 in conjunction with section 119 to conclude that the proper date from which prior art was to be determined was the date of foreign filing.²⁵ The court noted that while the International Convention had provided that

matter-unclaimed matter distinction that had been used by previous courts to allow a patent even where another application for the same subject matter had been filed on the grounds that the previous application had been abandoned and was consequently no longer "claimed." 270 U.S. at 401. See note 47 *infra*.

17. *Viviani v. Taylor v. Herzog*, 72 U.S.P.Q. 448 (Comm. of Patents 1935).

18. *Id.* at 449.

19. *Id.*

20. MANUAL OF PATENT EXAMINING PROCEDURE, Rule 715.01.

21. Notice of the Commissioner of Patents, 803 Off. Gaz. Pat. Office 305 (June 9, 1964).

22. 248 F. Supp. 402 (D.D.C. 1965), *rev'd* 375 F.2d 599 (D.C. Cir. 1967).

23. The phrase "application for patent" appears in both section 119 and section 102. The court pointed out that it was unlikely that Congress intended the same word used in different sections to have two entirely different meanings. 248 F. Supp. at 416.

24. See note 12 *supra*. The repetition in substance of the provisions of section 102(b), indicates the anticipation by Congress that the agreement would be read as a whole and that possible conflicts among its provisions could occur. 248 F. Supp. at 418.

25. 248 F. Supp. at 428.

a person shall enjoy priority rights,²⁶ the wording of the statute provides that priority rights shall result from an *application* for patent.²⁷ Article II of the Convention accords to foreign inventors all the substantive benefits that American inventors enjoy in this country.²⁸ The Report of the Revisers of the Patent Statutes of 1902, which formed the basis of the original patent statute, recommended that the foreign application be given the same effect as if filed in the United States on the day it was filed abroad.²⁹ The *Lilly* court further noted that section 102(e) of Title 35 enacted the rule of *Milburn v. Davis-Bournonville* to the effect that for the purposes of anticipating a subsequent inventor, a United States patent disclosing an invention dates from the date of filing the application.³⁰ Section 119 confers a status on an application analogous to that conferred by section 120 for a continuation-in-part application.³¹ Since the date of filing is not expressly limited to the actual United States filing date of the United States application, a patent application establishes prior invention of priority for both claimed and unclaimed subject matter.³² The court felt that the ratification by the United States of the Lisbon text of the Convention was a clear statement that the public policy of this country was to grant to foreign inventors the same rights enjoyed by American inventors.³³ The court rejected the idea that the decision of the Commissioner in *Viviani* or prior administrative practices were binding on the

26. See note 15 *supra*.

27. 248 F. Supp. at 418.

28. See note 14 *supra*.

29. REPORT OF THE COMMISSIONERS APPOINTED TO REVISE THE STATUTES RELATING TO PATENTS, TRADE AND OTHER MARKS, AND TRADE AND COMMERCIAL NAMES 24 (G.P.O. 1902) [hereinafter cited as COMMISSIONERS' REPORT].

30. See note 16 *supra*.

31. 248 F. Supp. at 425. The court noted that both sections begin with the heading "Benefit of Earlier Filing Date . . ." The choice of words in each section is sufficiently similar to require consistent interpretation. 248 F. Supp. at 415.

32. *Id.* The court relied on language in *Milburn* to the effect that subject matter need not be claimed:

The question is not whether [the applicant] showed himself by the description [of unclaimed subject matter] to be the first inventor. The disclosure would have had the same effect as at present if [the applicant] had added to his description a statement that he did not claim the thing described because he abandoned it or because he believed it to be old. It is not necessary to show who did invent the thing in order to show that [the applicant] did not.

270 U.S. at 401.

33. 248 F. Supp. at 432.

ground that the Commissioner of Patents is not bound by the judgments of his predecessors where he believes they are incorrect as to existing law.³⁴ In the case of *In re Hilmer*,³⁵ the Court of Customs and Patent Appeals reached a different result on similar facts. Applicants in that case, having lost a priority dispute with the defendant,³⁶ returned to *ex parte* prosecution.³⁷ The Examiner denied a patent on the ground that the foreign priority date was the relevant date both for purposes of settling priority disputes and for purposes of determining the point from which the subject matter of the foreign patent constituted "prior art" to applicants.³⁸ The *Hilmer* court reversed, holding that the foreign priority date is available as a reference only from the date of the United States filing.³⁹ The court considered the holding of the Court of Customs and Patent Appeals in the case of *In re Walker*⁴⁰ to be controlling on the issue of law. The *Walker* case had involved a fact situation similar to that in *Hilmer*,⁴¹ and the court found authority in *Walker* for the proposition that a foreign priority date of a United States reference patent is of "no consequence" as regards non-interfering subject matter.⁴² The *Hilmer* court admitted that when read together sections 102(e) and 119 made the relevant date for determining prior art the date of foreign filing, but the court found

34. *Id.* at 428.

35. 359 F.2d 859 (C.C.P.A. 1966).

36. Interference No. 90,218 (1960), from which was issued Patent No. 2,962,530, November 29, 1960 (filed in the United States January 23, 1958, found to be entitled to priority as of the date of filing in Switzerland on January 24, 1957). 359 F.2d at 861.

37. Continuation-in-part proceeding based on Application Serial No. 750,887, filed July 25, 1958.

38. The Examiner did not deal with the two other issues raised: (1) that his patent was patentably distinct from earlier claims not relying on the priority date; and (2) whether applicant was estopped by the interference from claiming the subject matter of the appealed claims. 359 F.2d at 869.

39. 359 F.2d at 884.

40. 213 F.2d 332 (C.C.P.A. 1953).

41. In *Walker*, one inventor, Whitley, was given an invention date by reason of the priority statute on the basis of a previous filing in Great Britain. Subsequent to that award, another inventor, Blumlein, had obtained a patent for similar subject matter. The *ex parte* action brought by Blumlein was founded on the proposition that the Whitley patent was available as a reference only from the date of United States filing rather than from the date of British filing. *Id.* at 335.

42. 359 F.2d at 869. The *Walker* court had not, however, embraced the quoted rule of law as its sole ground of decision and there is disagreement among jurists as to what extent *Walker* can be read to support the rule that the foreign priority date is not available for reference purposes.

evidence of clear congressional intent that the two sections should not be read together. The Report of the Commissioners Appointed to Revise the Laws Relating to Patents, Trademarks, and Trade Names⁴³ showed that Congress intended the provisions of section 119 to fulfill the United States obligations under the Convention and no more.⁴⁴ The *Hilmer* court noted that House Report No. 1498, which accompanied the law extending the period of priority following the Second World War, showed no intent to protect foreign inventors beyond that necessitated by the Convention.⁴⁵ The court found from the legislative history an underlying policy to favor American inventors over foreign inventors.⁴⁶ The court agreed with the elimination of the claimed matter-unclaimed matter distinction,⁴⁷ but found that since section 102(e) was the codification of a rule based on a patent-defeating provision of the law, it could not be interpreted as conferring rights other than those granted in interference proceedings.⁴⁸ The *Hilmer* court was most strongly influenced by the administrative practice of the Patent Office. The court assumed that when Congress codified the language of the predecessors to sections 102 and 119 in the Patent Act of 1952, it was aware of the interpretation placed on the provisions by the Patent Office for the past 35 years.⁴⁹ Under the legislative ratification, section 119 does not affect the express provision of section 102(e) as to filing "in the United States."⁵⁰ In the *Hilmer* case the

43. See note 29 *supra*.

44. COMMISSIONERS' REPORT, *supra* note 29, at 26, states: "The Convention has created an exemption to the rule and made an application in any State of the Union for the Protection of Industrial Property of the same effect as an application in the country wherein application is subsequently made within the time specified as a period of priority." 359 F.2d at 874 (emphasis in original).

45. 359 F.2d at 873.

46. H. R. Rep. No. 1498, 79th Cong., 2d Sess. (1946). The court rejected the solicitor's argument that there was legislative intent to confer "status" on a patent application separate and apart from its priority in an interference proceeding. 359 F.2d at 874.

47. The *Hilmer* court thus confirmed that portion of *Lilly* which interpreted *Milburn* as eliminating the distinction between claimed and unclaimed subject matter. See notes 16 & 32 *supra*.

48. 359 F.2d at 876-78.

49. 359 F.2d at 883. The lack of conviction with which the court views the legislative history supporting its holding suggests that in the absence of the administrative practice the case might well have been decided differently.

50. 359 F.2d at 883. The *Hilmer* court did not consider the impact of its decision on patent practice. The only consideration of policy in the opinion is contained in the background material preceding the opinion. The *Hilmer* court did recognize that section 102(e) was the codification of the rule of the Court in

result was that an applicant unsuccessful in an interference proceeding was able to obtain a patent for the identical subject matter in a subsequent *ex parte* proceeding because the foreign patent was available as a reference only from the date of filing in the United States.⁵¹

III. THE INSTANT OPINION

In the instant case, the Court of Customs and Patent Appeals rejected the ruling by the Patent and Trademark Office Board of Appeals and held that the disclosures in a foreign application which is filed in this country are effective from the date of foreign filing only in a patent interference proceeding.⁵² Foreign applications are effective as references in non-interference proceedings only from the date of United States filing.⁵³ The Solicitor argued that the instant case was subject to section 135 of Title 35 which provides that the decision of the Board in an interference proceeding shall constitute the final refusal by the Patent and Trademark Office of the claims involved.⁵⁴ The Solicitor reasoned that because the claims corresponding to the counts are unpatentable to the losing party,⁵⁵ the subject matter of the counts must be statutory prior art to the losing party.⁵⁶ The court rejected this position on the ground that the legislative history of the amendment indicated no intent on the part of Congress to change the application of the prior art provisions. The court found evidence in the Reviser's note

Milburn. The *Hilmer* court was saved the task of distinguishing *Milburn* by the following disclaimer in the *Milburn* opinion: "The policy of the statute as to foreign inventions obviously stands on its own footing and cannot be applied to domestic affairs." 270 U.S. at 402.

51. The same dispute was before the court in *In re Hilmer, Korger, Weyer and Summuller*, 424 F.2d 1108, 165 U.S.P.Q. 255 (C.C.P.A. 1976). On remand of the original case to the Board of Appeals of the Patent Office, the Board again concluded that the compound was "prior art" against Hilmer. The majority of the Board stated as their reason the reading of 35 U.S.C. § 102(g) in conjunction with sections 119 and 104. The court rejected this interpretation on the basis of reasoning similar to that contained in the first *Hilmer* decision. *Id.* at 1111, 165 U.S.P.Q. at 258-59.

52. 529 F.2d at 1329.

53. *Id.*

54. *Id.* at 1326. For text of section 135, see note 11 *supra*.

55. "A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted." 35 U.S.C. § 135(b) (Supp. V 1975).

56. 529 F.2d at 1326.

to 35 U.S.C. § 135 that section 135 was not intended to give an adverse award of priority the force and effect of statutory prior art.⁵⁷ The purpose of section 135(a), according to the court, was to economize time and work in the further prosecution of the losing party's application.⁵⁸ The court noted that sections 131 and 135 deal only with procedure and are not intended to confer substantive rights.⁵⁹ The court distinguished the cases cited by the Solicitor in support of the statutory prior art argument⁶⁰ on the ground that each involved subject matter patented in the United States.⁶¹ Although section 102(e) of Title 35 was not raised on appeal, the court noted that the decision in *Hilmer* was controlling on that point.⁶² The court also rejected the use of the subject matter of the interference as prior art under section 102(g) on the grounds that the statute clearly provides that the invention must be in this country and that the subject matter of defendant's application was invented in the Netherlands.⁶³ The present court recognized the anomalous situation which results when an award of priority is based on evidence of record as compared to an award based on a foreign priority date, but affirmed the position taken by earlier courts holding that Congress must resolve the difficulty.⁶⁴ The dis-

57. *Id.* at 1327.

58. *Id.*

59. *Id.*

60. The Solicitor relied on three cases in which the adverse award of priority had been held to be prior art. *In re Cole*, 82 F.2d 405 (C.C.P.A. 1936), held that where there has been a concession of priority, through interference proceeding or otherwise, section 103 requires that subsequent applicants be inventively different from those conceded. The priority in *In re Karplus*, 97 F.2d 100 (C.C.P.A. 1938), was based on termination of interference proceedings by dissolution rather than by award of priority, but the subject matter was nonetheless held to be prior art. The same result was reached in *In re Fenn*, 315 F.2d 949, 137 U.S.P.Q. 367 (C.C.P.A. 1963). Also relied upon by the Solicitor was the opinion in *In re Bass*, 474 F.2d 1276, 177 U.S.P.Q. 178 (C.C.P.A. 1973) which decision was based on the provision of section 102(g) requiring that the prior invention be made in this country.

61. 529 F.2d at 1329.

62. *Id.*

63. *Id.* The weakness of the result reached by the Board in this dispute was due largely to its attempt to accomplish the same result reached by the court in *Lilly* without running afoul of the *Hilmer* doctrine by relying on section 102(e). The concurring opinion of Chief Judge Markey is perceptive in noting that though the Board *said* it was not employing 35 U.S.C. § 102(g) coupled with 35 U.S.C. § 119, it had to have done just that before it could label the appealed claims "obvious variants." *Id.* at 1332.

64. 529 F.2d at 1329.

senting opinion distinguished the instant controversy from that involved in *Hilmer* on the basis that the *Hilmer* court specifically disclaimed reliance on the reading of 35 U.S.C. § 102(g) together with 35 U.S.C. § 110.⁶⁵ The dissent took the position that section 135 constitutes an implied bar to appellants' claims arising from an adverse award of priority.⁶⁶ As pointed out by the dissent, failure to so interpret section 135⁶⁷ results in the issuance of a patent which covers subject matter not patentably distinct from that of a previously awarded patent.⁶⁸

IV. COMMENT

The difficulty encountered by the court in the instant opinion is the same as that foreseen by Judge Jackson in the first judicial consideration of the problem.⁶⁹ An applicant, by resorting to an *ex parte* proceeding after losing an interference, can achieve the same result as if he had won the interference proceeding. This directly contradicts the principle that one who loses an interference proceeding should not be entitled to a patent on the subject matter of the interference.⁷⁰ The instant court, by affirming the principle of *Hilmer*, leaves the foreign inventor with uncertainty as to what effect his foreign filing will have in this country. The fundamental

65. *Id.* at 1343. This was also the position taken by the Patent Trademark Office Board of Appeals: "We specifically indicate that the rejection is not that the claims are unpatentable over [sic] 35 U.S.C. § 102(g) coupled with 35 U.S.C. § 119. Rather, the rejection is on the basis that appellant [sic] has lost the interference and, in view of the adverse decision on priority, is not entitled to claims which correspond to or are obvious variations of the invention as defined in the counts of the interference."

66. 529 F.2d at 1340. This theory was argued by the Solicitor in the instant case and is identical to that used by the Court in *Milburn* to accomplish the purposes of the Patent Act. See notes 32 & 33 *supra*.

67. For text of section 135, see note 11 *supra*.

68. 529 F.2d at 1340. The dissent also noted that the majority opinion overruled the *Walker* case *sub silentio*, as well as a similar decision, *In re Normann*, 150 F.2d 708 (C.C.P.A. 1945).

69. See 248 F. Supp. 402, 411 (D.D.C. 1965).

70. Although the uncertainty arises only where the foreign inventor fails to claim the subject matter in the United States, a foreign inventor who does not claim the subject matter of his foreign-filed patent but wishes to use that subject matter in the United States would face substantial uncertainty as to what his rights in this country were. Foreign inventors would therefore be likely to file in this country at the earliest possible date with the result that they would no longer take advantage of the one-year period of priority. For this reason, the advantages of the foreign filing date provisions are substantially diminished.

policy that motivated Congress, according to the court in *Hilmer*, was the desire to favor United States inventors over foreign inventors while fulfilling the obligations of the United States under the International Convention.⁷¹ There is little doubt that during the early years of the Convention there was hostility in this country to the idea of according to foreign nationals the benefits of a priority date, but that concern has diminished in the wake of the increasing use by United States inventors of their United States filing dates in making applications in foreign countries.⁷² There is sound evidence that Congress is no longer reluctant to accord privileges to foreign inventors.⁷³ The theory that Congress expressly adopted the original administrative interpretation of the Commissioner of Patents is entitled to little weight in light of the frequency with which the courts have rejected administrative practice as a guide to legislative intent.⁷⁴ Although the doctrine of *Hilmer* seems fairly well established, it must be noted that the decisions in that area are confined to the Court of Customs and Patent Appeals and the District of Columbia Court of Appeals. The anomalous results of the application of the doctrine, when combined with the scant authority on which the rule of law is based, strongly suggest the need for judicial reconsideration of the issue.

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71. See note 45 *supra*.

72. The Convention, *supra* note 13, specifically limits the obligations of other countries to grant priority to United States applicants based on the United States filing date to those rights granted to nationals of their countries in the United States.

73. S. 2255, 94th Cong., 2d Sess. (1976), passed by the Senate on February 26, 1976, was an extensive patent reform statute which included among other things a provision which adopts the position of the lower court in *Lilly* and specifically rejects the holding in *Hilmer*.

74. See 359 F.2d at 885 n.3 (dissenting opinion of J. Worley).

