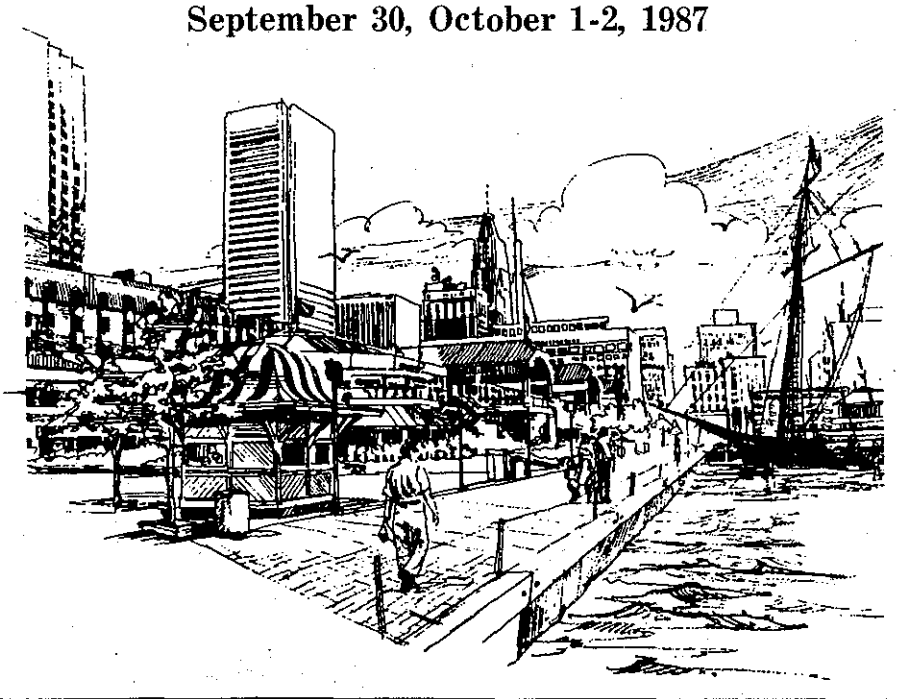
PACIFIC
INDUSTRIAL PROPERTY ASSOCIATION
太平洋工業所有権協会

# PRESENTATIONS

## The Eighteenth International Congress

**The Harbor Court Hotel**
**Baltimore, Maryland**
**September 30, October 1-2, 1987**



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# PROGRAM

## WEDNESDAY, SEPTEMBER 30, 1987

7:30 a.m. REGISTRATION

9:00 a.m. OPENING CEREMONIES — Harbor Court Ballroom
Opening of the Congress
Welcome to Baltimore — Baltimore Convention Bureau
Report of 1986 Activities — Kyoji Murayama, President of PIPA Japanese Group
Installation of PIPA Officers for 1987 — Alfred E. Hirsch, Jr. and Kyoji Murayama
Message from Honorable Kunio Ogawa, Director General of the Japanese Patent Office, read by Mr. Takao Marui, Director of Technology, JETRO, New York
Keynote Address — Honorable Donald J. Quigg, Assistant Secretary of Commerce and U.S. Commissioner of Patents & Trademarks

10:00 a.m. COFFEE BREAK

10:20 a.m. **REPORTS OF COMMITTEE NO. 1** — Procurement Law and Practice
Monte D. Witte and Takami Aoyama, Chairman

10:30 a.m. Japanese Laying Open System and Examination Request System
Michio Nakamura

10:55 a.m. U.S. Patent Law Since 1984
John P. Sinnott

11:20 a.m. Patent Term Extension in Japan
Yoshiaki Matsui

11:45 a.m. Best Mode: Do We Need It?
Roger L. May

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LAW CENTER LIBRARY
CONCORD, N.H.

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12:30 p.m. LUNCHEON — Hampton's and The Explorers Club
Speaker — Mr. Jacques J. Gorlin, Consulting Economist
The U.S Industry Perspective on the Intellectual Property Initiatives in GATT

2:30 p.m. Grace Period: Japanese Patent Law Section 30
Kenichi Osonoe

2:55 p.m. Protection of Software — A Worldwide Update
Victor Siber

3:20 p.m. What Act Constitutes the Use of A Trademark? (Commentary on the Totenko Case)
Akio Okumura

3:45 p.m. Finding of the Inventive Step and Practices Thereof
Kunio Hirabayashi

6:00 p.m. RECEPTION AND BANQUET — Harbor Court Ballroom
Presentation of PIPA Award to The Honorable Pauline Newman, U.S. Court of Appeals for the Federal Circuit

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1987 PIPA Congress
Baltimore, Maryland
Opening of the Congress - A.E. Hirsch, Jr.
President, American Group

Good Morning Ladies and Gentlemen
Ohayo Gozaimas

Honorable Guests, Delegates to the 1987 PIPA Congress, and Friends

It is my great pleasure to open the 18th Congress of the Pacific Industrial Property Association.

I am delighted that so many of you have been able to come to the beautiful city of Baltimore to attend the 1987 Congress.

It is fitting that our PIPA Congress is being held here in Baltimore, Maryland, in the very center of the original thirteen colonies, which a little over 200 years ago joined together to form the United States of America.

200 years ago this month, on September 15th, to be exact, delegates from those original colonies created a Constitution, the Constitution which still guides the United States and which is recognized as one of the greatest governmental documents of all time.

Without a strong readiness to cooperate, this governing document would never have come into being. Each of the original colonies had, over the years, developed its own form of government. Each had its own specific interests to protect. Each had an outlook which generally reflected the origins of the people making up the colony. To bring these colonies, with their different goals and aspirations, together, under one Constitution, required a willingness to

compromise, a willingness to give up certain portions of their traditional ways of doing things, a willingness to change at the expense of local interests. Those compromises and changes demonstrated a spirit of cooperation with a goal toward harmonization.

Today, 200 years later, the nations of the world are also working toward a kind of harmonization, the harmonization of the various patent and other intellectual property laws of different nations.

Our PIPA Congress, here in Baltimore in 1987, has as its theme the harmonization of patent laws around the world. We will discuss some of the issues, here, in the very part of the United States in which other issues, leading to harmonization, were discussed years ago. Just as compromise and a desire to understand was then found to be essential toward the formation of one nation, we shall discuss ways of harmonizing our industrial property laws to be benefit of all nations.

First, however, I think that you might like to know some more about the beautiful city of Baltimore. It is therefore my pleasure to introduce Mr. Wayne Chappell from the Baltimore Convention Bureau.

# Report on 1986 PIPA Activities

by Kyoji Murayama
President of the Japanese Group
September 29, 1987

Ohayo Gozaimas.
Good Morning, Honorable guests, friends and members of PIPA. It is a great pleasure and honor for me to attend this 18th International Congress of PIPA as President of Japanese Group and to report on the PIPA activities in 1986 here in Baltimore which is one of the historic and oldest city in the United States of America.

Firstly, on behalf of the Japanese Group, I would like to thank the President of PIPA, Mr. Alfred E. Hirsch, Jr. and the organizers of this Congress for their work in planning and arranging the outstanding program.

From 5th to 7th November, last year, the 17th International Congress of PIPA was held in Kanazawa, North-West District, facing the sea of Japan, and we believe the Congress was quite successful. In spite of rather inconvenient location of the city, around 140 representatives including some observers attended the Congress. Especially, it was our great honor that, throughout the Congress, U.S. Commissioner of Patents & Trademarks Office, Mr. Donald J. Quigg stayed in Kanazawa, having given his informative and encouraging address concerning "Harmonization" and having attended all of the meetings, to which we would like to express our sincere thanks and respect. In addition to the informative and meaningful presentation and discussion, bus tour to the Kenroku Garden and Eiheiji Temple made all of the attendants including 17 ladies enjoy fully Japan fall. After the PIPA Congress, some of PIPA American group visited Japanese Patent Office to exchange the opinions and information on the intellectual property matters.

At the Congress, PIPA Award was assigned to Mr. Akira Hirano as the 6th recipient, who acted as the President of PIPA in 1977 and President of PIPA Japanese Group in 1977 and 1987 and afterwards served as Ex-Officio for 6 years. In this place, let us recall our seniors who received PIPA Award: 1st awardee Mr. Shozo Saotome, 2nd Mr. Donald W. Banner, 3rd Mr. Edgar W. Adams, Jr., 4th Mr. Shoji Matsui, 5th Mr. Martin Kalikow and 6th Mr. Akira Hirano. The 7th awardee, just wait, the 7th Award will be assigned to Judge Pauline Newman at this Congress.

Now, I would like to report on the other main topics of the PIPA activities during the past year, 1986.

Firstly, the amendment to the PIPA Constitution and By-laws were approved by vote 60 to nothing in the General Meeting of Japanese national group held on March this year and also by a mail ballot vote 36 to nothing in American national group. As you know, the original Constitution and By-Laws were adopted at the 1st International Congress, Tokyo, 1970, and 18 years after adoption, they have been amended to meet the need of the times. In this respect, I wish to add that Mr. Adams made a great contribution to prepare the draft of amendment, to which we wish to express our sincere thanks.

Recently, as the world grows smaller and smaller, needs for international cooperation grow greater and greater. In the intellectual property field, the diligent efforts have been and will be made towards cooperation towards harmonization -- for well-deserved global protection and respect of the invention. These efforts are being made towards global harmonization in WIPO and trilateral harmonization among the U.S. Patent & Trademark Office, European Patent Office and Japanese Patent office and also will being tried in GATT on the global basis. This movement reflects the presentations made in the PIPA Kanazawa Congress last year, that is "Some Views on

Harmonization of Patent Laws" presented by Japanese Group and "WIPO Patent Harmonization Activities" by American Group.

Under such situations, during the past year, 1986, PIPA was represented at WIPO meetings dealing with harmonization of Patent Laws. Mr. Paul D. Carmichael of IBM and Mr. Zenjiro Nakamura of Takeda Chemical, both being the former Chairman of the Committee 3rd of PIPA attended the third session of the Committee of Experts on the Harmonization in Law for the Protection of Invention held from March 23rd to 27th this year in Geneva.

In advance of Mr. Nakamura's attendance there, the Harmonization Working Group organized in Japan Patent Association (JPA) including some members of Japanese Group of PIPA had studied the WIPO proposed 7 subjects concerning the international harmonization of Patent Laws and sent the Japanese Comments to WIPO on January this year under the name of Japanese Group of PIPA.
In addition to this, with respect to biotechnological invention and patent protection thereof, the Working Group organized in JPA in the same way, had studied the 15 questions raised in Questionnaires Bio T/Q 2 by WIPO and sent the Japanese answers and views to WIPO under the name of Japanese Group of PIPA on October, last year.
In this report, I wish to add that copies of these comments and answers letter was sent to Mr. William R. Norris, the former President of American Group.

In Japan, partial amendments to the Japanese Patent Law were legislated and published on May 25, this year. These amendments can be said to be one of the results of efforts towards the international harmonization.
The amendment includes "improvement on the multi-claim system", "provision of flexibility for various" terms, and international harmonization", and "extension of patent term", details of which will be presented by Japanese Group in this Congress.

Next week, the delegation of Japan Patent Association consisting of 21 members, mostly PIPA members will visit to U.S. Patents & Trademarks Office to exchange views each other from various aspects. This is the 2nd return-visit to the United States and we wish to convey our sincere appreciation to PIPA American Group for its kind advice, assistance and arrangement in this respect. We hope the meeting in Washington, D.C. will be fruitful, especially, towards the harmonization of both countries in the intellectual property system.

Finally, in this place, I would like to introduce our friend, Mr. William R. Norris. Mr. Norris was the President of American Group during the year 1985 to 1986 and served as the President of the whole association in 1985. On behalf of all members of PIPA, I wish to express our great appreciation to Mr. Norris for his activities in PIPA and contribution to the world industrial property field, especially in the U.S. and Japan.

Mr. Norris, it is with great pleasure and honor that I present you with this certificate of commendation and a gift as a token of our gratitude.

Congratulations to you. Thank you.

Message from Honorable Kunio Ogawa,
Director General of the Japanese Patent Office,
read by Mr. Takao Marui, Director of Technology, JETRO New York

It is my great pleasure to offer you my sincere message on the occasion of the 18th International Congress of Pacific Industrial Property Association.

At the outset, I have to ask you to let me extend my personal regrets that I could not make it to be with you there today. My message is read by Mr. Takao Marui dispatched from the Japanese Patent Office and stationed at JETRO New York Office.

I have once met some PIPA members at the time of the follow-up-Tokyo meeting held in November 1984 when I was Director General of JPO General Administration Department. I clearly remember open-minded and intensive discussion they made at the meeting. I am pleased to tell you that the useful and constructive discussion at the meeting was contributory to the recent amendment of the Japanese Patent Law. The amendment was made focusing upon 1) improvement in multi-claim system, 2) making periods in some procedural provisions flexible, and 3) extending term of pharmaceutical patent. I am confident that there was desirable relation between our office and patent applicants in the steps to the amendment.

Opinions of non-governmental people are mirrored in the patent law amendment, and the amendment was taken up in Japan as a part of on going efforts for harmonization of patent laws and their practices which is now under extensive discussion and in which Japan is a forerunner in the development of deliberations.

As you well know, the harmonization of patent laws and their practices is now being discussed in not only WIPO area, and USPTO, EPO, and JPO triliteral cooperation but also in GATT arena. The harmonization has really become the most prevailing

subject for discussion in the industrial property field. In these developments USPTO has proposed to shift to first-to-file system, which we warmly welcome, although it was made in a package program. I think opinions of non-governmental people and those from abroad have influenced on such proposal.

Harmonization in patent systems is long and commonly cherished vision among the people involved in patent field and, at the same time, the process to its accomplishment is a great historic event. Under such circumstances, I know that efforts for harmonization on a basis of only our Patent Office is not quite enough for the accomplishment. I think it is only achievable through discussions and mutual understanding on a basis between our office and each of those, having various opinions, in the patent community of private sectors including practitioners as well as applicants. In this sense, I wish I would be there with you today. But, as I close my message, I wish to tell you that the doors of the Japanese Patent Office are always kept open.

I wish you every success in the congress.

Thank you.

KEYNOTE ADDRESS
by Honorable Donald J. Quigg
Assistant Secretary of Commerce and
U.S. Commissioner of Patents & Trademarks

THANK YOU FOR INVITING ME TO SPEAK TO THIS ASSOCIATION ONCE AGAIN. THIS IS AN OPPORTUNITY FOR ME TO DO TWO THINGS:

- FIRST, I GET A CHANCE TO "CATCH-UP" WITH OLD FRIENDS (IT's GOOD TO SEE SO MANY FAMILIAR FACES HERE TODAY);
- SECOND (AND THIS REALLY IS WHY I AM HERE), I GET A CHANCE TO OFFER A FEW COMMENTS TO BRING YOU UP-TO-DATE ON CHANGES UNDERWAY AT THE U.S. PATENT AND TRADEMARK OFFICE.

I WANT TO TELL YOU WHAT WE'RE DOING ... AND WHERE WE'RE GOING.

* * *

ALONG THE PATH OF INNOVATION, STRETCHING FROM INVENTIVE CONCEPTION TO COMMERCIALIZATION, THE PATENT SYSTEM STANDS AS EITHER A ROAD BLOCK OR A BRIDGE. ON MY WATCH, I HAVE TRIED TO MAKE CERTAIN THAT ALL LANES REMAIN OPEN.

KEEPING THOSE LANES OPEN REQUIRES CHANGE -- AND CHANGES ARE HARD TO MAKE IN A PATENT SYSTEM THAT IN ONLY 30 MONTHS WILL CELEBRATE ITS 200TH BIRTHDAY.

* * *

I THINK YOU'LL FIND THAT IN THE PAST FEW YEARS WE HAVE BROUGHT ABOUT SOME MAJOR IMPROVEMENTS IN THE WAY THE PTO DOES BUSINESS. WE HAVE CONTINUED TO UPGRADE OUR SERVICE TO THE PUBLIC: WE'VE RAISED PRODUCTIVITY AND WE HAVE MADE CONSIDERABLE IMPROVEMENT IN TIMELINESS.

OUR PENDENCY REDUCTION DRIVE HAS CALLED FOR A MASSIVE EXPANSION OF THE EXAMINING CORPS. IT SOON WILL NUMBER NEARLY 1,500 EXAMINERS. AVERAGE PENDENCY FOR PATENT APPLICATIONS IS NOW DOWN TO SLIGHTLY MORE THAN 20 MONTHS. HAD WE NOT TAKEN ACTION TO ATTACK OUR GROWING BACKLOGS, APPLICANTS WOULD NOW BE WAITING AN AVERAGE OF NEARLY 40 MONTHS FOR THEIR PATENT GRANTS. OUR TARGET IS 18 MONTHS AVERAGE PENDENCY BY 1989. I AM CERTAIN THAT WE WILL MAKE IT. HOWEVER, OUR PRINCIPAL FOCUS IS ON ANOTHER AREA WHERE IMPROVEMENTS CAN ALWAYS BE MADE.

WE'VE WORKED THE HARDEST ON QUALITY. AS I HAVE SAID BEFORE, PATENT GRANTS OF LESS THAN ACCEPTABLE QUALITY ARE WORSE THAN WORTHLESS -- THEY ARE LIKE TIME-BOMBS IN THE HANDS OF UNSUSPECTING PATENT OWNERS. THIS SYSTEM OF OURS WILL WORK -- AND WORK WELL -- IF THE PROCESSING TIME FOR OBTAINING PATENT GRANTS CAN KEEP UP WITH FAST MOVING TECHNOLOGIES -- BUT THE SYSTEM WILL WORK ONLY IF PATENTEES CAN PLACE THEIR FAITH IN THE VALIDITY OF THE WORK WE DO.

WE HAVE RECEIVED FIRST-RATE COOPERATION FROM THE AMERICAN BAR IN OUR NEW QUALITY REINFORCEMENT PROGRAM. THIS PROGRAM WAS DESIGNED TO COMPLEMENT OUR TRADITIONAL QUALITY REVIEW PROGRAM WHERE A 4% RANDOM SAMPLE IS DRAWN FROM THE APPLICATIONS ALLOWED BY THE CORPS.

RATHER THAN LIMITING OUR QUALITY CHECK TO APPLICATIONS PASSED FOR PATENT GRANT, THE QUALITY REINFORCEMENT PROGRAM LOOKS AT THE QUALITY AND TIMELINESS OF EXAMINER AND CLERICAL FUNCTIONS THROUGHOUT THE PROCESS. IT ALSO FOCUSES UPON APPLICANT'S OR ATTORNEY'S CONTRIBUTION TO A QUALITY PRODUCT.

THROUGH EXTENSIVE SAMPLES, SURVEYS AND ANALYSES OF INFORMATION GATHERED FROM PENDING APPLICATIONS, FROM THE EXAMINING CORPS, AND FROM PATENT ATTORNEYS ACROSS THE COUNTRY -- THANKS TO TREMENDOUS HELP FROM THE AIPLA -- WE HAVE BEEN ABLE TO IDENTIFY SPECIFIC AREAS OF WEAKNESS ... BOTH INSIDE AND OUTSIDE OF THE PTO.

WHERE APPROPRIATE, WE HAVE TAKEN IMMEDIATE CORRECTIVE MEASURES. A THOROUGH REPORT ON THE FINDINGS OF THE QUALITY REINFORCEMENT PROGRAM HAS BEEN DISTRIBUTED TO THE CORPS AND THE PATENT BAR. WE ARE SOLICITING SUGGESTIONS FOR RAISING THE QUALITY LEVEL OF ALL PRACTICES FOUND TO BE SUBSTANDARD.

COOPERATION HAS BEEN OUTSTANDING ON ALL FRONTS, AND WE ARE BOUND TO MAKE GREAT HEADWAY IN STRENGTHENING THE SYSTEM. EFFECTIVE CHANGES DO TAKE TIME.

OUR INVESTMENT OF TIME (AND, OF COURSE, MONEY) IN PTO AUTOMATION WILL, I BELIEVE, HAVE THE GREATEST IMPACT ON PATENT QUALITY. MISSING DOCUMENTS FROM OUR SEARCH FILES HAVE PLAGUED PATENT EXAMINATION QUALITY FOR MANY YEARS. THE DESIGN OF AN ELECTRONICALLY LOCKED SEARCH FILE AND RAPID PETRIEVAL SYSTEM WILL SOLVE THAT PROBLEM. WE HAVE BEEN RECEIVING SOUND ADVICE AND SOLID COOPERATION FROM THE AMERICAN BAR IN THIS AREA, AS WELL.

A TREMENDOUS SIDE BENEFIT OF THE PTO AUTOMATION PROGRAM HAS BEEN AN ENHANCED COOPERATIVE RELATIONSHIP WITH OUR PARTNERS IN THE TRILATERAL COMMISSION -- THE JPO AND THE EPO. FOR EXAMPLE, OUR COOPERATIVE ACTIVITIES HAVE EXTENDED WELL BEYOND SETTING STANDARDS FOR COLLECTION AND EXCHANGE OF PATENT DATA FOR OUR RESPECTIVE AUTOMATION EFFORTS. TALKS ARE PROGRESSING VERY WELL ON THE SUBJECT OF PATENT LAW HARMONIZATION.

THESE TALKS, AS YOU MAY KNOW, HAVE BEEN FOCUSING MAINLY UPON SIX AREAS: UNITY OF INVENTION, BIOTECHNOLOGY, INVENTIVE STEP, COMPUTER PROGRAMS, ADMINISTRATIVE PRACTICE AND PROCEDURE, AND DISCLOSURE.

(INCIDENTALLY, I HAVE PROPOSED THE ADDITION OF A NUMBER OF OTHER SUBJECTS AS PART OF A LIST OF GENERAL HARMONIZATION TOPICS NOW COVERING 20 AREAS FOR DISCUSSIONS BOTH IN THE TRILATERAL CONTEXT AND IN THE WIPO ARENA.)

HERE, AGAIN, "CHANGE" IS DIFFICULT; BUT WE ARE HEADED IN THE RIGHT DIRECTION ... AND IT HAS INVOLVED MORE THAN JUST TALK. THE JPO AND THE USPTO JUST COMPLETED AN EXAMINER EXCHANGE PROGRAM. TWO U.S. EXAMINERS JUST RETURNED FROM A SIX-WEEK ASSIGNMENT TO THE JPO WHERE THEY WERE INVOLVED IN A JOINT SEARCHING AND EXAMINATION PROJECT. IN THE SPRING, THE PTO HOSTED EXAMINERS FROM THE JPO, AUSTRALIA, AND CANADA IN AN EARLIER PHASE OF THE EXCHANGE PROJECT.

THE PURPOSE OF THIS EXCHANGE PROGRAM IS TO IDENTIFY SIMILARITIES AND DIFFERENCES IN ACTUAL SEARCH AND EXAMINATION PRACTICES AND PROCEDURES. A FINAL REPORT IS BEING DEVELOPED. WE NEED TO RESOLVE THE DIFFERENCES IN ORDER TO GET A UNIFORM QUALITY. THIS EFFORT HOLDS GREAT PROMISE AS A MAJOR STEP TOWARD HARMONIZATION.

I WOULD HOPE THAT A SYSTEM OF "RECIPROCITY" CAN EVENTUALLY BE ATTAINED -- A PATENT SYSTEM WHERE THE PROCESSING AND EXAMINATION OF A SINGLE APPLICATION WOULD RESULT IN A GRANT WHICH COULD BE <u>REGIONALLY</u> ENFORCED.

OF COURSE, THAT'S NOT POSSIBLE UNTIL SEARCH AND EXAMINATION ARE DONE THE SAME WAY ... AND UNTIL AN ACCEPTABLE LEVEL OF QUALITY IS IDENTIFIED AND MAINTAINED. WE ARE MAKING PROGRESS.

* * *

I AM REMINDED OF OUR PIPA MEETING IN KANAZAWA, LAST YEAR, WHEN WE SPENT THE GREATER PORTION OF OUR DINNER MEETING IN A SONG FEST.

FOLLOWING THAT MEETING, I HAVE OFTEN PONDERED:

"WE'VE SHOWN THAT WE CAN <u>SING</u> WITH OUR JPO FRIENDS -- BUT NOW WE REALLY NEED TO <u>HARMONIZE</u> IN MORE WAYS THAN ONE.

THANK YOU.

1987 PIPA Congress
Baltimore, Maryland

Introduction of PIPA Award Winner - 1987
A.E. Hirsch, Jr. - President, American Group

Honored Guests, Ladies and Gentlemen.

It is now my pleasure to introduce you to the recipient of the Pacific Industrial Property Association Award for 1987.

The formation of the Pacific Industrial Property Association was the result of a need for a forum for the exchange of ideas and for the fostering of understanding between representatives of corporations in Japan and the United States. A few internationally-minded Japanese and Americans worked together to create an organization for this purpose.

It was not an easy job. There were many differences, both in culture and tradition, and also a great language barrier. Nevertheless, PIPA became a reality in 1970.

The PIPA Award is our way of recognizing those select few whose participation in PIPA activities have made a particular mark on the organization. Award winners include those who have provided extraordinary leadership and those who have provided us with inspiration through their dedication.

Tonight, we are to present the Eighth PIPA Award. It is being presented to one who has been extraordinarily influential in the formation and guiding of PIPA.

She is Judge Pauline Newman.

Judge Newman was known as Dr. Pauline Newman, when she assumed the lead of Committee No.3 back in 1972. She became Second Representative in 1975, First Representative in 1977, and President in 1979. By this time her PIPA friends knew her as Polly, or Polly-ko-san.

At the Third Congress in 1972, Judge Newman delivered the first of her six papers presented at PIPA Congresses. I believe that she still shares the record, with Ed Adams, for the greatest number of papers delivered at PIPA Congresses. She also holds the record for serving the greatest number of times as Standing Committee Leader. She has served more times as an officer of PIPA than anyone else. Her influence during those years of service is still felt here in PIPA.

On a personal level, Judge Newman received Degrees from Vassar College and Columbia University, a Ph.D. in Chemistry from Yale, and a Law Degree from New York University. She was employed as a research scientist by the American Cyanamid Company and then by FMC Corporation. At FMC, she served as Director of the Patent, Trademark and Licensing Department. While on leave from FMC, she worked for the United Nations Educational, Scientific and Cultural Organization as a Science Policy Specialist in the Department of Natural Sciences.

She has held offices in many scientific and professional organizations. She is also a member of the Board of Trustees of the Philadelphia College of Pharmacy and Science, a member of the Patent Policy Board of the State University of New York and a member of the National Board of the Medical College of Pennsylvania.

Judge Newman has also served on numerous governmental committees and is the author of many papers on the patent system and industrial property.

She was appointed Judge of the United States Court of Appeals for the Federal Circuit by President Reagan and entered upon the duties of that office on May 7, 1984.

We feel honored that, among these many activities in the field of intellectual property, Judge Newman devoted as much time as she did with us here at PIPA. We are delighted to have her with us again and hope that she will return on many occasions.

It is now my honor to present the President of the Japanese Group, Murayama-san, to make the presentation of the 1987 PIPA Award.

Remarks of Pauline Newman
on Receiving the
PIPA Award for International Cooperation

September 30, 1987

President Hirsch, President Murayama, and so many friends. You do me great honor with the PIPA award. It is a powerful symbol of the international spirit of cooperation and friendship. The leaders of our profession have been its recipients. I am highly complimented to join this distinguished group: Mr. Saotome, Mr. Banner, Mr. Matsui, Mr. Adams, Mr. Kalikow, and Mr. Hirano. Especially because, as one of you, I practiced international cooperation at its most pleasant.

From the beginning of PIPA we have helped each other to understand our laws and habits. The long and sturdy history of PIPA is a tribute to our success, to our joint work in helping the industrial progress of our two nations. The support that the patent system provides for technological industry is not news to you who are here. It's an extraordinarily modern incentive system, but it has ancient roots.

As a judge, I often find myself digging into the history of the patent laws. Very few principles have changed since the earliest days. I marvel at the wisdom of those who provided for the patent and copyright systems in our Constitution. They understood the need to secure the benefits of creativity, for the benefit of the nation, and for the benefit of the creators.

History shows no controversy about putting a patent and copyright clause in the Constitution. I attribute this to the deep understanding by the drafters of the fundamentals of property rights and due process of law. This special provision for intellectual property is in simple harmony with the general property provisions of the Constitution, securing the natural rights of people to own property. The draftsmen understood the special qualities of intellectual property, and recognized the need for national laws to protect this form of property.

Since then our patent laws have shown great stability of purpose, no doubt due to their foundation in the Constitution. Not that there haven't been changes in the law, over these two centuries. The formation of the Court of Appeals for the Federal Circuit is the most recent major change, taken to strengthen a patent system that had been weakened by judges, to try to recover its original purpose.

The formation of the court on October 1, 1982 (tomorrow is it's fifth birthday) followed close on the enactment of the patent reexamination law. We hoped that together these two

changes would have a strong impact on technological innovation. They were adopted at a time of desperate concern about our economy, a time of high inflation and greatly reduced research investment. The Federal Circuit was formed with an optimism born of necessity.

I think these measures are working out as we hoped. Reexamination started slowly, but it seems to be steadily increasing in use and value. The court started with a bang, and rapidly remedied may of the most grievous disparities of law among circuits. In fact, when I joined the court in the summer of 1984, I feared that all the important questions had been answered.

The court had already resolved several major conflicts among the circuits. For example, the court removed the requirement of synergism as a basis for patentability of combinations. The court clarified that obviousness determinations can not be based on hindsight. The court reestablished the presumption of validity, and established that invalidity must be proven by clear and convincing evidence. The court made clear that preliminary injunctions are as available in patent cases as in any other. The court placed the measure of damages in patent cases into the mainstream of the measurement of tort damages.

This isn't going to be a lecture on patent law. But I want to point out that the court now often is dealing with the finer points of the law. Our decisions will probably become more controversial as closer lines are drawn. I think that our decisions occasionally are wrong, and I have said so in dissent.

The patent law is a practical law, and it is thoroughly intertwined with the technology it protects. I encourage you, representing the major users of the patent system, you who are most affected by the court's decisions, to make your views known.

You in this room know better than the courts how patents affect the development of technology and industrial innovation. It is the technology creator and user community who must weigh the consequences of judicial decisions. For although legal commentators are constantly criticizing our prose, very little has been said about the effect of our decisions on research and investment. If you don't help to keep us on track, you have no complaint should we slip.

In my work as a judge, the most helpful part of my past is the industrial and technological background I share with you. I treasure this past for its benefits to the present, and I treasure it for the friendships represented here in PIPA. This is a nostalgic home-coming for me. Thank you for the honor you have paid me.

# Closing of the 18th PIPA Congress

by Kensuke Norichika
First Governor, PIPA Japanese Group

It is my great pleasure to make a closing speech for the 18th PIPA International Congress.

First of all, we, Japanese Group, would like to express our sincere appreciation for the excellent arrangement of the program and for the exceptional hospitality extended to us all. I am very much thankful to Mr. Hirsch, President of PIPA, to his staff, and to US Group officers who carefully planned and successfully conducted this Congress.

I am indeed grateful to our honorable guests, Commissioner Quigg and Assistant Commissioner Kirk of USPTO, Judge Pauline Newman, winner of PIPA Award for this year, and Consulting Economist Mr. Jacques J. Gorlin for their kind presence and valuable addresses and speeches, and to Mr. Ogawa, Director General of JPO for his sending kind and encouraging message to this Congress.

During these three days, there was much intensive talk among us on possible harmonization of patent systems. Harmonization was indeed, the key word of this Congress, and I believe it must be continually the key word among us for years. In this connection, we, PIPA could be one of the authorized organizations to talk about this matter. For instance, I am now recollecting the first Congress held at Imperial Hotel in Tokyo in 1970, about 18 years ago. I remember that Mr. Uchizaka, the general manager of our company, spoke about our Japanese proposal to U.S. for changing the first-to-invent system to the first-to-file system, and some of the US PIPA fathers showed their favourable attitude to the proposal. This must be one of

the good examples that proves PIPA has been always contributing to the harmonization movement since its initial stage of history. Now, we are fully aware of how difficult it is to achieve a good harmonization when we sing a song.

The know-how or trade-secret to attain good harmonization is to have a super conductor like Mr. Banner and on our singers' side to keep individual singing as good as possible, to accept other's singing and to try our best to adjust others. I believe the way to harmonize in the intellectual property field is quite the same thing.

Again, I would like to express my personal appreciation for Mr. Hirsch's Choosing this historical city, Baltimore. Baltimore is the sister city of Kawasaki where I live now. And I once was a resident of this state, Maryland so that Anapolice was one of the favorite places of our family at that time. I believe almost all of us, especially from Japan, must have enjoyed the Bus Tour to Anapolice in such a good weather and also enjoyed the seafoods such as Maryland crab cakes, etc.

We, Japanese governors, are now going to propose the Next Congress in Japan be held in Ise-Shima area at the end of Sept. or at the beginning of Oct. Ise-Shima is located to the south of Nagoya and about two hours by train and consists of many small bays, peninsulas and islands including Mikimoto Pearls. It must be a good place for wives but somewhat difficult place for husbands to accompany wives. But, please feel easy, it is not yet officially decided by our governor's meeting. The Reason why I disclosed our idea about the next Congress place is that we wish to invite all of you to the 19th Congress at somewhere in Japan. We sincerely hope to reciprocate the hospitality at the 19th Congress.

Thank you and good-bye until we meet again.

1987 PIPA Congress
Baltimore, Maryland

Closing Ceremonies - A.E. Hirsch, Jr.
President, American Group

We have now completed the proceedings of the Eighteenth Congress of PIPA.

The papers have been excellent, the remarks by our honored guests have been of great help to us in planning our future activities, meeting with past PIPA Award winners and presenting a new Award to Judge Newman have been satisfying, and renewing friendships and making new ones have made the week an outstanding one.

Meeting together here in Baltimore, we have had an opportunity to exchange ideas and to learn even more about each other. We have done this through the exchange of ideas in formal papers and, I must say, that the quality of the papers was outstanding.

We have done it through our get togethers at breakfast, at dinner, on our tour of Annapolis and, last night, at our gala singing party. We have gained much that we can put into practice during the coming year.

However, PIPA is more than a once-a-year organization. It is an ongoing organization, by which a continuous stream of ideas, practices and proposals can be exchanged by the two groups. This is done generally by actions of the two Boards of Governors.

However, there is much that can be done on Committee levels. I, therefore, urge the Committee Chairmen of both the Japanese and American groups, and the members of the Committees, to work together, actively, during the coming

year to resolve differences and to make proposals to one another, to learn from each other, to help each other. By such activities, changes can be made and both our systems can be improved.

Finally, I urge members of PIPA to continue to speak out through PIPA on important issues. We are recognized as valuable advisors to our patent offices, to WIPO and to others. They recognize PIPA as an organization composed of knowledgeable people in the field of intellectual property. Let us keep it that way. Let us continue to work together, in harmony.

In closing, I also wish to thank all of the working groups who have made this Congress so successful. The Committee Chairmen, the Officers, our fine translators who came all the way from Japan to be with us, my secretary, Mrs. Sharon Lobosco, for her efforts and to the many others who helped in making the Congress a success.

(I now close the 1987 Congress of PIPA. We are looking forward to renewing our friendships next year in Japan. I propose that we close by singing Auld Lang Syne.)

## COMMITTEE NO.1


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Kozo Hirase (Tokyo Electric Co., Ltd.)
Shigeru Hihara (Mazda Motor Corporation)
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Shigemitsu Tanaka (Mitsubishi Heavy Ind., Ltd.)
Makoto Inabayashi (Toshiba Corporation)
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# Japanese Laying Open System and Examination Request System

## - Present Conditions and Utilization -

1st Group, PIPA 1st Committee, (1987)
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## I. Forward

The Japanese laying open system and examination request system have been introduced in 1971 and 16 years have already passed.

With the increase in number of countries for technology information exchange, an international harmonization in patent law is getting important. The Japanese laying open system and examination request system which has now been operated for 17 years is good example for considering such international

harmonization.

This paper introduces an outline and present state of the Japanese laying open system and examination request system and also describes how both systems are utilized for practical activities in Japanese companies.

## II. Outline of Japanese Laying Open System and Examination Request System

### 1. Background of Introduction

The average period required for examination of patent and utility model applications had reached about 5.7 years in Japan just before introduction of the laying open system and examination request system. Such long-term pendency has created distinctive disadvantages to applicants, resulted in frequent repeated investigations and repeated investiment due to delayed publication of application contents and also increased disadvantages to third parties.

In order to cope with this situation, it was decided to employ the laying open system and examination request system for the patent and utility model applications from January 1, 1971.

### 2. Laying Open System

—What is laying open system?—

For eliminating disadvantages to third parties due to the delay of examination, the laying open system requires to lay open all applications after 18 months from the application date (or the priority date). The system lays open the entire specification and drawings of patent applications or an essential part of utility model applications.

—Right for demanding compersation—

Regarding the laying open system, the right for demanding compensation has been introduced, on which the applicant can demand the compensation to those who have worked the invention claimed in the laid open application commercially after laying open but before publication of examined application. This is because that the laid open patent application probably may in some cases be used by other party without authority of the applicant. This right is considered to compensate for the disadvantages to the applicant coused by used of the concerned invention by other party without authority.

—Extended scope of prior application—

Upon employment of laying open system, the scope of prior application which can be used as the reason for rejection has been extended (section 29-bis). Namely, the invention described in the specification or drawings of the laid open prior application without relation to whether the invention is described or not in the claim thereof is sufficient as the reason of rejecting the post

application which requests as such invention as the prior application.

—Information presentation system—

Regarding the laid open patent application, anyone can present, during the period until such patent application is published for opposition, information to the Director-General of the Patent Office to the effect that such patent application should not be patented. The information to be presented is limited to the published references only. The presentation of adequate information can serve to reject the application which shall not be patentable. This information presentation system is utilized in about 2000 to 3000 cases a year.

3. Examination Request System

—What is examination request system?—

The examination request system has been employed to eliminate demerits due to delay of examination and grant the patent as early as possible. Thereby, the examination is limited to the patent applications for which the examination request is presented within the specified period from the filing of application (7 years for patent, 4 years for utility model).

This system results in free choice for the applicant himself to determine whether an examination request should be made or not and when it should be done, because the purpose of filing a patent application and economical/technical evaluation of an invention differ for each application. This system is intended to focus the examination on the applications on which the requests for examination are made , and accelerate the examination as a whole since the position of said extended scope of prior application is given by laying open the patent application.

—Preferencial examination system—

This system allows an applicant to request the Director-General of the Patent Office to examine the application in preference to other patent application, if the third party has made, used or sold the invention applied by the applicant without authority for early issuance of the patent.

Annual average applications of the preferencial examination are about 40 during the years from 1973 to 1980.

—Early examination system—

In case an applicant has carried out the invention which is the subject of the patent application by himself, the applicant can request the preferencial examination of such invention to the others applications. About 250 applications for early examination have been made from introduction of this system in February, 1986 to the end of December, 1986 and the applications without reason of rejection have been published after about 6 months

from the request.

III. Present state of Systems

1. Numerical change in number of Laying open applications

As explained previously, all patent/utility model applications are laid open, in principle, after 18 months from the application date. Therefore, numbers of application is almost equal to a number of applications laid open after 18 months.

Fig. 1 illustrates numerical change in number of applications. As indicated in Fig. 1, a total value of patent applications and utility model applications in Japan recorded about 300,000 in 1974 and thereafter increased sharply. In 1984, 10 years after, the total applications reached about 490,000, about 1.6 times of applications in 1974. Such increase is just a characteristic result in comparison with applications of other major countries indicated in Fig. 1 where a number of applications does not almost change or rather tends to decrease.

The information based on laid open application of about 500,000 is utilized in various companies as the technical information and patent right information during the latest year.

2. Cumulactive Rate of Substantial Examination Request

Fig. 2 indicates change in number of cumulative rate of examination requests. The final examination request rate for the patent applications recorded total of 70.3% in 1971, the first year of having employed the examination request system, but the examination request rate for patent applications which meet the 7th final examination request year in 1986 recorded 65.6% in 1979 with reduction of 4.7%. The similar reduction tendency can also be found in the utility model applications.

Moreover, the following characteristic points can also be found that the examination request rate simultaneously with presentation of application (examination request rate after 0 year from application) is reduced and the examination request rate of 7th year as the final year is increased.

3. Numerical Conditions of Examination Processing

Fig. 3 indicates change in numerical conditions of examination processing. Employment of examination request system has shown rapid decrease of unprocessed applications number of backlog) to about 460,000 in 1981 from about 750000 in 1971, 10 years before. This result is based on that about 1/3 of the applications do not require the examination because of unrequest of examination. In addition, about 2/3 applications as the remainder have been scattered for examination within the 7 years of the examination

requestable period for Patents and within 4 years for the utility models. As is understood from Fig. 3, employment of both systems has rapidly reduced the period required for examination to 2.2 years in 1981 from 4.4 years in 1971.

However, increase of applications in recent years also results, after the year 1983, in increase of a number of unprocessed applications and elongation of the examination period.

## IV. Practical Utilization of Daying Open System

As described previously, the applications of 500,000 or more are laid open within an year in Japan. How the companies are utilizing such a vast amount of technical information is explained hereunder.

### 1. Utilization as technical information

The laid open applications include many applications which will be not patented in future because these applications are not examined, unlike the applications published. However, it becomes possible to know quickly the contents of applications of other companies from the laid open applications. Moreover, since the laid open patents are described in the prescribed format and are sorted in accordance with the prescribed (IPC) technical fields, such applications may be used easily as the technical information.

#### (1) Search of technical development trend of competing companies

It is important to know the trend of technical development among competing companies for scheduling and strategic planning for technical development of one's own company.

Therefore, it can be estimated from the laid open information how each company is approaching the technical development in a particular technical field or to what degree emphasis is laid on the technical development of the technical field by, for instance, searching a number of laid open patents and change in number of inventors of competing companies in the particular technical field, generating charts and comparing these charts with those as one's own company also considering other kinds of information.

#### (2) Orientation of investigation and development

Investigation and development are very important for companies and it goes without saying that orientation of such investigation and development may determine the destiny of a company.

The most favorite technical means of respective companies and the technical means which will lead other fields in future can estimated from the laid open information by selecting the applications concerning particular technical fields and generating a chart sorting respective technical means.

Such information is important reference material for discussing orientation of investigation and development.

The technical field attracting attentions of various companies can also be estimated, for example, by selecting applications of respective companies in each technical field from the laid open information and plotting them on the star map indicated in Fig. 4.

In addition, the total technical development trend in such technical field and the technical means which will lead the other fields in future can also be estimated by selecting applications of respective companies in the particular technical fields from laid open information and then plotting them on the tree shaped map indicated in Fig. 5.

2. Utilization as right information

As explained previously, the laid open information includes many applications which will not be patented in future but about 1/3 of such applications laid open will eventually be patented.

Therefore, exitance of applications of other companies which may acquire patent rights in future can be known from the early stage by watching the laid open information and adequate measures can be taken. It is also possible in this manner to evaluate the applications of own company. If a third party uses the invention without outhority concerned with the patent applications of one's own company which will be patented in future, infringement by other companies can be eliminated from the early stage by giving a caution with the laid open application.

(1) Investigation for possibility to be patented in future

If applications by other companies which may give adverse effect on the activities of one's own company are found, it is essential to investigate whether such applications have possibility of being patented or not and take adequate counter measures in accordance with such possibility.

Namely, if applications of competitor companies are found, the possibility of being patented will be investigated on the basis of the search of prior art. When it is confirmed that such applications by competitor companies may not be patented because of the prior art, measures described later must be taken in order to prevent the establishment of patent right at an early stage.

(2) Obstructing establishment of patent right by applications of othere companies

Presentation of information

As explained previously, establishment of right of laid open applications can be obstructed or the scope of claim can be narrowed by presenting

information such as prescribed references of prior art to the Director-General of the Patent Office.

Information can be presented, for example, to the chief Examiner by mail or facsimile as the "Letter of Information Presentation". It is also possible, if desired, to receive the notice how the presented information has been used for examination.

Opposition

In case the laid open applications by other companies are published through the successive examination anyone who desires can file opposition to the Director-General of the Patent Office within two months from the data of patent publication (will be amended to three months from the next year by revised patent law).

A period for the opposition is as rather short as two months and a very large number of applications are recently published. Therefore, it is effective for certain opposition and rejection for establishment of patent right of applications by other companies to watch the examination process from the stage of laying open of applications, catch the chance for making opposition and sufficiently collect the references for evidence for the opposition through the search for materials of prior art from the early stages.

(3) Avoidance of infringement of patent

When it is confirmed that establishment of patent right of applications in questions found from the laid open information cannot be rejected even with the means explained previously, infringement of right of other patents can be avoided previously through alteration of development policy or design, before the application will be published.

(4) Warning to other companies

If it is found that the invention by one's own application is used by other company, it is possible to request alteration of design so as to avoid future infringement on the patent right by giving a caution with the laid open information of such applications to other company. It is also possible to consult other company for the will of receiving the license of the applications.

If other company still continues use of the invention concerned with be application even after the caution, it is possible for the applicant to request the compensation money to such company in the stage when the said application is published.

V. Practical Utilization of Examination Request System

As described above, in the examination request system, the applications which should be patented are selected for examination from all applications within a specified period and only these selected applications are examined. How re-evaluation of applications for examination request is carried out in companies will be explained hereunder.

1. Possibility to be patented

The examination request expense is as high as ¥58,000 (about US$387) for an invention, which is expensive in comparison with the application expense (¥9,500 = about US$54). Therefore, such useless effort to request examination of the application having no possibility to be patented because of existence of prior art must be avoided as much as possible.

However, since the Japanese patent law employs the first-to-file principle, it is often difficult to make sufficient investigations for prior art as a result of hasty filing of applications. It is also probable the application is rejected due to the existence of prior art which is unknown fact for the applicant because such prior arts are not yet laid open at the time of patent application (section 39, section 29 bis of the patent law). Moreover, it is also probable in case the corresponding application for foreign countries that the prior art which is a bar to be issued a patent is found during prosecution in foreign countries and in the search report for prior arts.

Accordingly, it is very profitable for the applicant to request the examination only for the applications having possibility to be patented based on sufficient search for prior arts after presenting applications or consideration for the results of prosecution of corresponding applications to foreign countries. In addition, the successive procedures can be run smooth by previously making adequate amendment corresponding to the prior art found utilizing the chance for amendment given to the applicant according to the patent law at the time of requesting examination.

2. Strategic Examination Request

The applied inventions are not always necessary to be patented for the applicant. Namely, many applications may lose their importance for technical reason after filing.

For example, many inventions for high technology which are not yet used practically at the time of filing application will change in the value depending on development of peripheral technology. Therefore, it is unnecessary to request examination to the inventions which may not be used anyone even if such inventions are sufficiently novel and have sufficient

possibility to be patented.

It is necessary for applicant to re-evaluate the value of each applications in the adequate timing and to request examination after careful selection. In this process, consideration is taken into, (1) technical tendency of technology, (2) needs for technology and situation of using the invention and more adequate re-evaluation than that at the time of filing application may be expected.

As described previously, the examination request period is rather as long as 7 years and therefore it is essential to adequately select the timing for requesting examination.

The time for re-evaluating applications is explained hereunder.

(1) At the time of filing application

Since examination at the patent office in Japan is carried out upon request of examination, examination is requested at the time of filing application for those which evaluation is comparatively fixed and quickly requires to be patented.

It may also be necessary to take the measures, preferencial examination or early examination to the applications, for applications which require more early acquisition of patent right.

(2) After 2-3 years from application

Since all applications filed in the same period will be laid open after 2-3 years from filing applications, considerably perfect search for prior arts can be expected. In case the corresponding applications are presented to Europen countries, re-evaluation of iventions can be carried out with reference to the result of search report for prior arts conducted by European patent office.

(3) After 4-5 years from application

After 4-5 years from application, development tendency of technical fields to which the invention belongs is often rather apparent. Therefore, the re-evaluation of applications considering technical tendency may be possible, in addition to the evaluation of invention based on above-mentioned prior arts.

(4) After 6-7 years from application

Since the allowable examination request period is 7 years, evaluation conducted in this period is the final re-evaluation. Namely, it is finally evaluated whether acquisition of patent right is necessary or not for the application. In actual, considerable number of applications request examination in this period.

An example of re-evaluation period of applications is explained but

the re-evaluations are generally carried out two or three times in any period among those described above in accordance with the patent management policy of respective companies.

## IV. Afterword

With the increase in number of countries for patent information exchange, it has become very difficult to keep secret the application even if such application can be kept secret until examination is completed in few countries. Namely, under the current state where a number of contries employing the laying open system is increasing, it is no longer tare case that the corresponding applications to foreign countries are already laid open.

In this sense, it should be decided so that such positive attitude as attempting to quickly know the applications by other companies brings about more excellent significance than that in keeping secret the applications of one's own company. As explained previously in this paper, the laid open information can be used positively in various ways and thereby new technical development of one's own company can be accelerated effectively and such positive utilization of laid open information certainly gives much contribution to technical progress in the society as a whole.

On the other hand, employment of first-to-file principle, examination system, laying open system and examination request system is the world wide tendency. Particularly, the combined use of a laying open system and an examination request system results in more improved effects.

Accordingly, in one hand, there is a view that it is unnecessary to employ the examination request system so long as the system and capability for early examination are acquired, but it should yet be employed positively in order to eliminate useless examination and realize acquisition of right as quickly as possible.

Outline of laying open system and examination request system in Japan and practical utilization of these systems in companies are explained above. The authors will be very pleased if this paper is useful for helping readers' understanding and utilization of both systems.

Number of Patent and Utility Model Applications in Major Countries

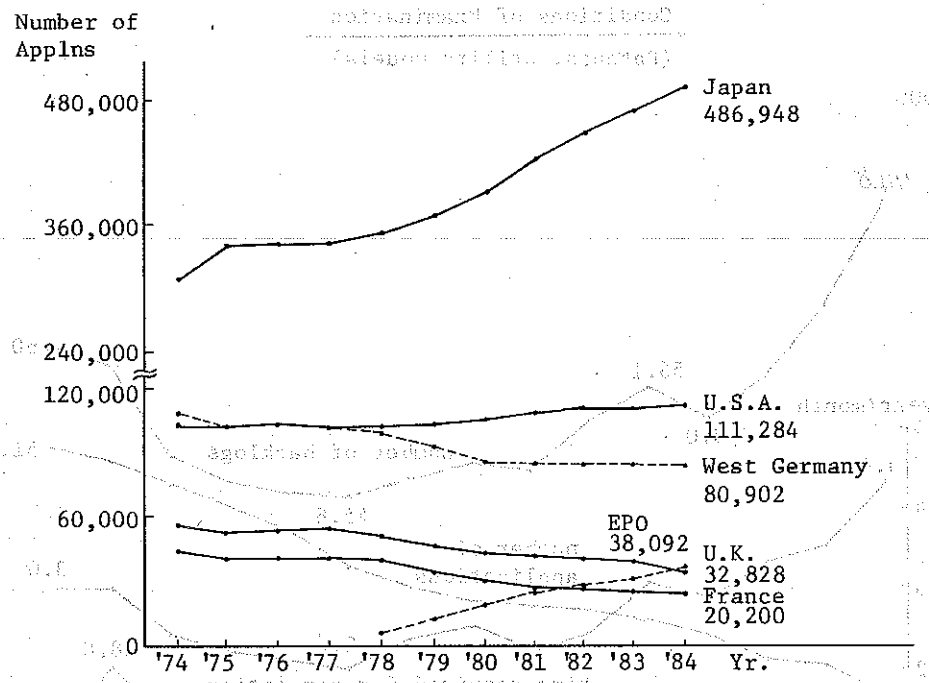



Fig. 1

Cumulative Rate of Substantial Examination Request (Patents)

(number in ○ indicates year elapsed after application)

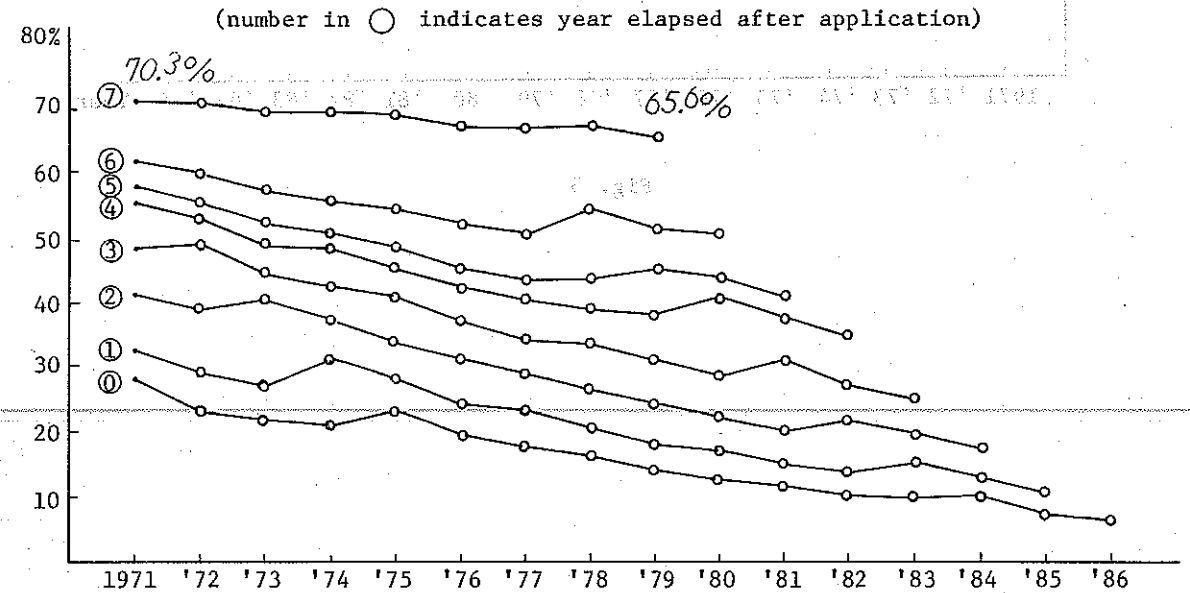



Fig. 2

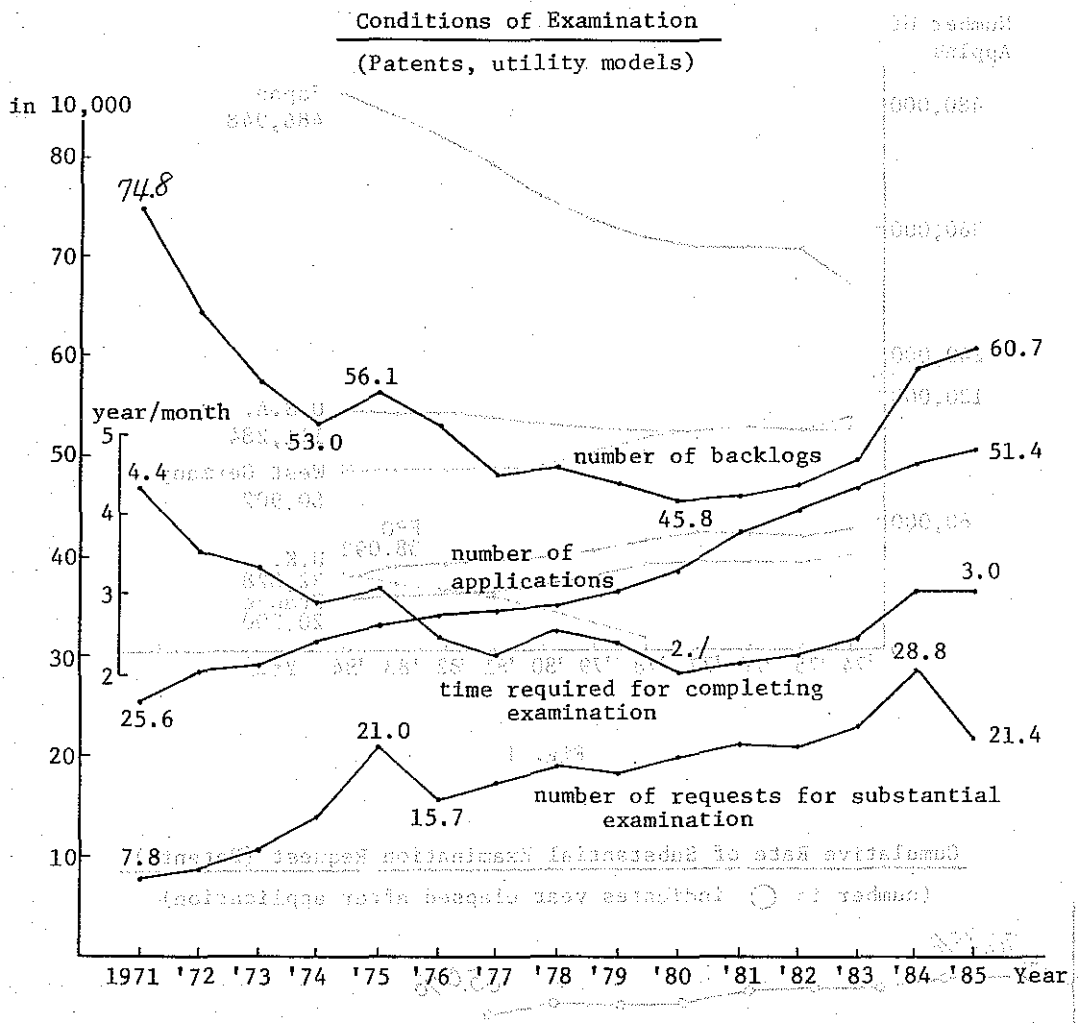

Conditions of Examination
(Patents, utility models)
in 10,000
year/month
74.8
56.1
53.0
4.4
45.8
60.7
51.4
number of backlogs
number of applications
3.0
2.1
28.8
time required for completing examination
25.6
21.0
21.4
15.7
number of requests for substantial examination
7.8
1971 '72 '73 '74 '75 '76 '77 '78 '79 '80 '81 '82 '83 '84 '85 Year

Fig. 3

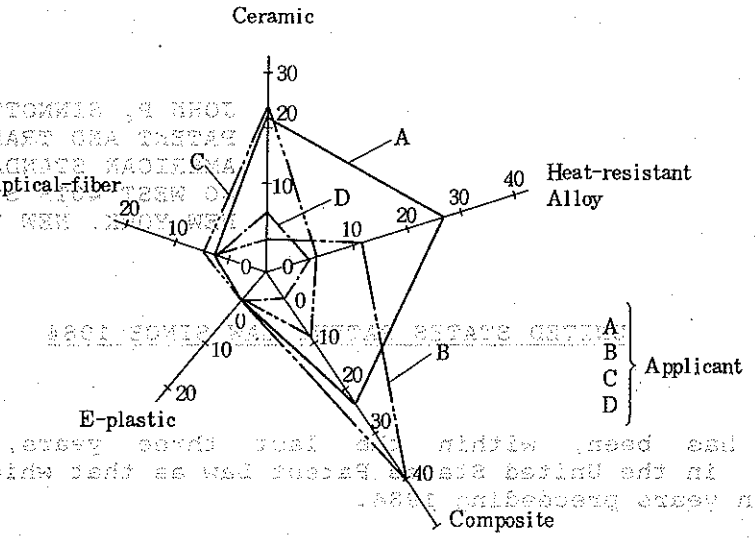

Ceramic
Heat-resistant Alloy
Optical-fiber
E-plastic
Composite
A
B
C
D
Applicant

Fig. 4

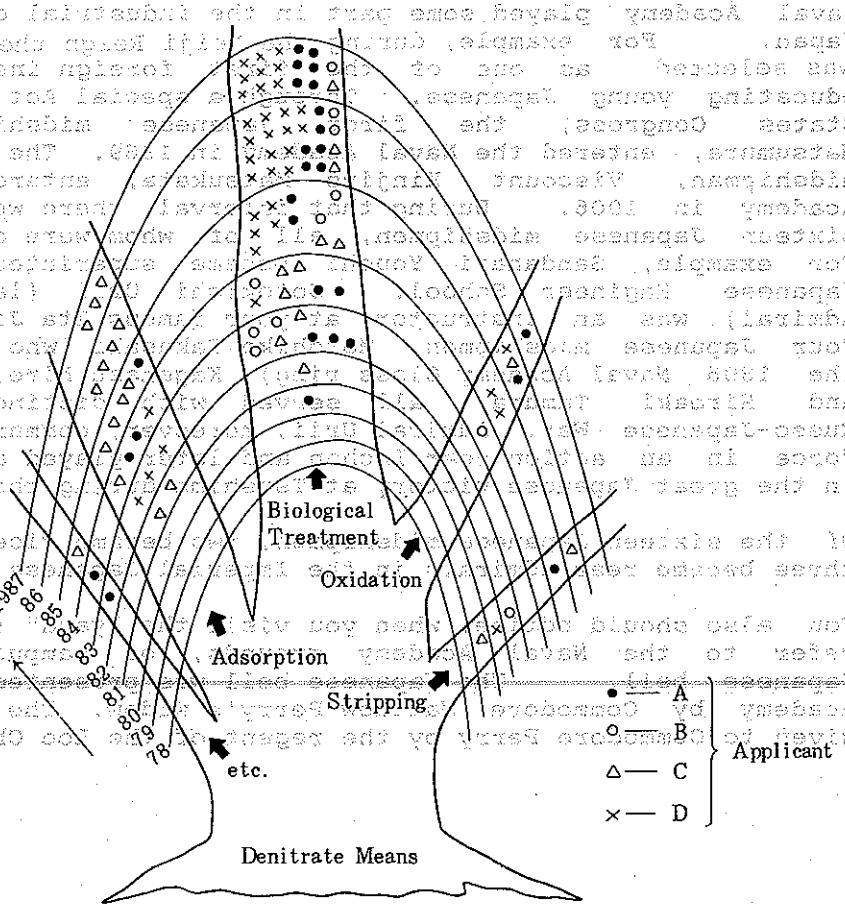

Biological Treatment
Oxidation
Adsorption
Stripping
etc.
1987
86
85
84
83
82
81
80
79
78
A
B
C
D
Applicant
Denitrate Means

Fig. 5

JOHN P. SINNOTT
PATENT AND TRADEMARK DEPT.
AMERICAN STANDARD INC.
40 WEST 40TH STREET
NEW YORK, NEW YORK 10018

# UNITED STATES PATENT LAW SINCE 1984

There has been, within the last three years, about as much change in the United States Patent Law as that which occurred in the ten years preceeding 1984.

But, before undertaking the substance of my talk, please let me make a personal comment about how pleased I am to address this group, especially in Baltimore. We have on our program a visit, later this week, to the United States Naval Academy in Annapolis. With no small degree of pride, may I tell you that I graduated from the Naval Academy in 1953. Speaking particularly to the Japanese members of our group, may I mention that the Naval Academy played some part in the industrial development of Japan. For example, during the Meiji Reign the Naval Academy was selected as one of the first foreign institutions for educating young Japanese. Through a special Act of the United States Congress, the first Japanese midshipman, Jiunzo Matsumura, entered the Naval Academy in 1869. The last Japanese midshipman, Viscount Kinjiro Matsukata, entered the Naval Academy in 1906. During that interval, there were a total of sixteen Japanese midshipmen, all of whom were distinguished. For example, Sandanari Youchi became superintendent of the Japanese Engineer School. Sotokichi Urii (later, a Rear Admiral) was an instructor at your famous Eta Jima. At least four Japanese midshipmen, Motohiko Takasaki (who also designed the 1895 Naval Academy Class ring), Kagehazu Nire, Admiral Urii and Hiroaki Tamura, all served with distinction in the Russo-Japanese War. Admiral Urii, moreover, commanded a cruiser force in an action near Inchon and later played a leading part in the great Japanese victory at Tsushima during that war.

Of the sixteen Japanese midshipmen, two became vice admirals and three became rear admirals in the Imperial Japanese Navy.

You also should notice, when you visit the "yard" (as midshipmen refer to the Naval Academy grounds, or campus), the famous Japanese bell. The Japanese bell was presented to the Naval Academy by Commodore Matthew Perry's widow. The bell had been given to Commodore Perry by the regent of the Loo Choo (Ryukyu)

Islands and, since, 1900, has been used to ring out the score every time the Naval Academy defeats its rival institution, the United States Military Academy in athletic competition. Thus, some small part of Japanese culture has become an integral element of every major athletic victory at the Naval Academy!

In passing, you also might note that the Japanese bell was cast in 1456, thirty six years before the Americas were discovered by Europeans! Very likely, the Japanese bell is the oldest man-made object on public display at the Naval Academy.

Returning now to our professional topic, since late 1984 the more significant amendments to the United States Patent Act, or Title 35 - Patents, relate to:

1. A new form of grant, the Statutory Invention Registration, or "SIR."

2. New developments in patent term extension.

3. Changes in the legal definition of patentable novelty.

4. Clarification of the statutory definition of joint inventors.

5. Merging the Board of Appeal and the Board of Interferences into one Board of Patent Appeals and Interferences.

6. Authority to arbitrate interferences.

7. The definition of an act of infringement has been amended with respect to pharmaceuticals and the supply of components for a patented device.

8. Government interests in patents developed through Federal Assistance are modified.

9. The United States has adopted the provisions of Patent Cooperation Treaty (PCT) Chapter II.

The following matters, not involving statutory amendment, but requiring either statutory interpretation or changes in 37 CFR, the "Rules of Practice in Patent Cases" are:

1. Recognition by the Patent and Trademark Office that animals can be patented under the existing law.

2. Rules for extension of patent term.

3. Rules for arbitration of patent interferences.

3. Rules relating to unity of invention for international applications and adoption of PCT Chapter II.

A final point for consideration relates to the availability of rights to United States patentees for certain privileges in the Republic of Korea, apparently without regard to the nationality of the United States patent owner. Although this United States/Korean question is not, strictly, a matter only of United States Patent Law, some of its effects deserve treatment at this point. Briefly, at the urging of the United States Government, the Republic of Korea amended its Patent Law to grant, effective July 1, 1987, patent coverage for chemical and pharmaceutical products. Certain retroactive and transitional measures were agreed to that permitted product claims to be added to pending Korean process patent applications, if amended within ninety days after July 1, 1987.

Those chemical products that are subject to Korean pre-marketing review, and which were patented and identified for commercial applicability in the United States between January 1, 1980 and July 1, 1987 and are identified for commercial applications, will be protected in the Republic of Korea for a period of ten years from July 1, 1987. This protection can be obtained only if the product was not marketed in the United States and in Korea, and if certain procedures were followed prior to March 31, 1987.[1] Please note that this program was open to owners of United States patents without regard to the nationality of that owner.

Let us now consider, in some detail, each of the foregoing items of change.

SIR

Although available to any applicant, the SIR was created generally to permit the Department of Defense and the Department of Energy to use a less expensive and time-consuming form of defensive publication. For example, although the SIR can be asserted in an interference, it does not grant an exclusive right to use the claimed invention. It is, morever, more quickly published, and thus may possibly enter the prior art more swiftly than a published article,[2] which often is delayed by the usual journal review process.

Between October 1, 1985 and September 30, 1986, (the Federal "fiscal year,") federal agencies filed 121 original SIR applications and 65 conversions from patent applications. Non-federal sources[3] accounted for another 42 SIR applications.

A number of questions have been raised about the value of the SIR. Some of these questions are:

1. The validity of the SIR as prior art has not been judicially determined.*
2. A SIR could adversely affect inventor morale because of a perception that it lacks the prestige and recognition of a patent.
3. The filing cost savings of an SIR over a patent are not sufficient to overcome the negative aspects of the SIR program.
4. The effect of the SIR on 35 USC 291,[5] which grants judicial relief for interfering patents, has not been judicially explored.

For the fiscal year ending in 1986, the Patent and Trademark Office processed and issued 40 of the original 121 SIR

*Recall in this regard how the Board of Appeals struck down the administratively established Defensive Publication program in 1976 by holding that such publications were not evidence of prior knowledge as of their respective filing dates.[4]

applications filed that year. Of these cases, 34 were issued without an initial final rejection, and three were finally rejected. A SIR will issue in about eight months, while a patent takes about 23 months.

With these statistics in hand you may draw a few conclusions of your own about how the SIR in practice is meeting the desired goal of quick publication.

Patent Term Extention

A subsection (h) was added to 35 USC 156 to empower the Commissioner of Patents and Trademarks to levy appropriate fees for term extension applications. This term extension application fee now stands at US$750, reduced to US$550.

Novelty

The non-obviousness criterion for patentable novelty in 35 USC 103 was the subject of a major amendment on November 8, 1984. Succinctly stated, under this amendment a patent will not be denied for being obvious under Section 103, if the subject matter of the asserted art would qualify only under Section 102 (f) or (g) and the asserted art and the claimed invention - at the time the invention was made, both were owned by the same person or under an obligation to be assigned to the same person. To amplify this a bit, Section 102(f) denies a patent if the applicant did not himself invent the subject matter sought to be patented. Section 102(g) denies a patent if, before the applicant's invention, the invention was made in the United States by another who had not abandoned, suppressed or concealed it. Priority of invention in this later circumstance will be based on conception and reduction to practice.[6]

This very complicated exception to Section 103 was the subject of some clarifying guidelines published by the Patent and Trademark Office in December, 1984.[7]

Among these guidelines, your attention is specifically invited to the ownership provision in which the phrase "owned by the same person" requires 100% ownership of the prior art in question and of the invention, too. The burden of establishing that the prior art subject matter is disqualified is placed upon the patent applicant.

Joint Inventorship

The strict United States legal requirements on joint inventorship were eased, to a limited extent, through amendment in November of 1984 to 35 USC 116. This amendment specifically permits inventors to apply for a patent jointly even though:

1. they did not physically work together or at the same time ;

2. each did not make the same type or amount of contribution; or

3. each did not make a contribution to the subject matter of every claim of the patent.[8]

Once more, your attention is invited to the "Guidelines" published in 1074 OG 214 for a detailed statement of the manner in which this amendment to Section 116 has been implemented. Of particular interest is the position that each co-inventor must make some original, though partial, contribution to the final invention. Each inventor, however, need not make a contribution to the subject matter of every claim in the patent.

Board of Patent Appeals and Interferences

As a part of the November 8, 1984 amendment, the heretofore separate United States Patent and Trademark Office Board of Appeal and Board of Interferences were merged into a single Board of Patent Appeals and Interferences.[9] From the standpoint of the interfering party, perhaps, the most important result of this merger is the change in 35 USC 135(a).[10]

The combined Board, under this change "...shall determine questions of priority of the inventions and may determine questions of patentability." This amendment should avoid the frustrating situation so many of us encountered in the past with the two Board system. More than once, many of us have handled cases in which the Board of Appeals decided one or more claims to be readable on an applicant's disclosure, thereby setting the stage for an interference. And, after the interference was declared, and after much struggle, we would receive the Board of Interference decision dissolving the interference because those same claims - now interference counts - were not patentable as to your applicant! "Oh death, where is thy sting"!

This new legislation, merging the two Boards should eliminate the foregoing problem.

On May 21, 1985, extensive revision was made to the "Rules of Practice" as they relate to interferences for the specific purpose of permitting the rights of the parties to be determined at an early date, and your attention is invited to these amended rules for particular questions that might arise.[11]

To provide you with some appreciation for this expected improvement in interference practice, the following anticipated time schedule for a two-party interference, published in 1074 OG 271 should be of interest.

| Event in Interference | Time from last event in the interference | Total time in interference |
|---|---|---|
| Interference declared (1.611) | | |
| Filing of preliminary statements (1.621) and preliminary motions (1.633) | 3 months | 3 months |
| Filing oppositions to preliminary motions (1.638(a)) | 2/3 month | 3-2/3 months |
| Filing replies to oppositions (1.638(b)) | 2/3 month | 4-1/3 months |
| Decision on preliminary motions (1.640(b)(1)), open preliminary statements (1.631), set times for filing motions for discovery (1.687(c) and testimony (1.651(a)) | 1 month | 5-1/3 months |
| Filing of motions for discovery (1.635, 1.651(a) 1.687(c)) | 1 month | 6-1/3 months |
| Filing of opposition to motion for discovery (1.638(a)) | 2/3 months | 7 months |

| Event in Interference | Time from last in the interference | Total time in interference |
|---|---|---|
| Filing reply to opposition to motion for discovery (1.638(b)) | 2/3 months | 7-2/3 months |
| Decision on motion for discovery | 2/3 months | 8-1/3 months |
| Time for compliance with any discovery | 2/3 months | 9 months |
| Junior party testimony (case-in-chief; 1.672(b)): | | |
| Testimony | 2 months | 11 months |
| Senior party cross-examination of affiants if needed | 1 month | 12 months |
| Senior party testimony (case-in-chief and case-in-rebuttal, 1.672(b)): | | |
| Testimony | 2 months | 13-2/3 months |
| Junior party cross-examination of affiants if needed | 1 month | 14-2/3 months |
| Junior party testimony (case-in rebuttal): | | |
| Testimony | 2/3 month | 16 months |
| Senior party cross-examination of affiants if needed | 2/3 month | 16-2/3 months |
| Filing of record (1.653(c)) | 1-1/3 months | 18 months |
| Brief for junior party (1.656) | 1 month | 19 months |

| Event in Interference | Time from last in the interference | Total time in interference |
|---|---|---|
| Brief for senior party (1.656) | 1 month | 20 months |
| Reply brief for junior party (1.656) | 2/3 month | 20-2/3 months |
| Final hearing (1.654) | 1 month | 21-2/3 months |
| Decision (1.658) | 2 months | 23-1/3 months |

Interference Arbitration

Provision also was made, in the amending act of 1984, for arbitrating interferences or parts of interferences. This change appeared as the addition of a subsection (d) to 35 USC 135.[12] Interference arbitration rules were adopted on May 27, 1987 and appear as 37 CFR 1.690. This new rule specifies the procedures that must be followed if the interfering parties decide to arbitrate. Illustratively, written notice and an agreement to arbitrate must be submitted to the Board of Patent Appeals and Interferences. The requirements of the award, e.g., a statement of the issue or issues and the disposition of each issue, in order to render the award effective also are set down in this new rule.

Infringement Redefined

Among the many changes introduced through 1984 amendments to the Patent Act was a modification to the definition of infringement that should be of substantial interest to those among us who are in pharmaceutical practice.

Briefly, 35 USC 271 now states that except for pharmaceuticals, it is not an act of infringement to make, use, or sell a patented invention if it is done only for uses reasonably related to develop information for submission under a Federal drug regulating law. In many ways, this would seem to be an extension of the experimental use defense to a charge of patent infringement.

Section 271 now also states that it is an act of infringement to submit an application under the Federal Food, Drug and Cosmetic Act for a patented drug or drug use. To infringe, however, the submission must be made to obtain marketing approval under the Food and Drug Act.[13]

Of more general interest, especially to patent counsel for multi-national corporations, is the further definition of an act of infringement relative to components of a patented invention.[14] According to this amendment, the supplier of components for a patented invention in or from the United States, that are specially adapted for use in the invention, knowing that the components will be combined outside of the United States in a manner that would infringe the patent if so combined within the United States, is guilty of infringement.

The components in question must, of course, be specially adapted for use in the invention in order to establish infringement under this subsection. They must not, moreover, be staple articles of commerce suitable for substantial noninfringing use.

This new addition to the definition of infringement must not be confused with the older concept of contributory infringement which is defined in subsection (c) of Section 271, in spite of a general similarity in many of the terms. To properly charge contributory infringement under subsection (c), an actual infringement through assembly of the components into an infringing device, or the like, must occur in the United States. Through this new subsection, however, it is only necessary that the infringing assembly or use must occur somewhere outside of the United States.

Government Patent Rights

Because a number of countries, including Japan, have entered technology exchange agreements with the United States under the Strategic Defense Initiative, some passing comment on recent amendments to a number of the provisions of 35 USC 200, the Chapter that deals with patent rights in inventions made with Government assistance might be of interest.

For instance, Section 202 was amended late in 1984 to add an exception to the United States' statutorily reserved right to a worldwide license under inventions that it funds. This exception permits the funding agreement to grant additional

rights to the "small business" or nonprofit organization contractor to meet United States treaty obligations, including military agreements relating to weapons development and production.

Appellate procedures also have been established under Section 203(2). This section relates to United States Government "march-in" rights and the appellate procedures are directed to resolving disputes that arise as a consequence of the exercise of thse "march-in" rights.

PCT Chapter II

All of us were certainly pleased with the fact that the United States accepted Chapter II of PCT on July 1, 1987.[15] Apart from the obvious benefits to be derived from this broadened participation, there are statutory and rules changes that necessarily followed as a consequence of this important step and to better comply with Treaty obligations.

Many of the effects of this adoption of Chapter II will be reviewed more thoroughly in the course of the Reports of Committee No. 3 - International Law and Practice. The rules changes, as they relate to filing and prosecution in the United States Patent and Trademark Office, however, are treated, to a limited extent, in this paper.

These rule changes were adopted, to a large extent, to reconcile United States unity of invention practice for international applications with domestic court decisions and current practice for national United States applications filed under 35 USC 111.

The problem that these new rules generally strive to solve seems to have arisen through a decision captioned Caterpillar Tractor Company v. Commissioner of Patents and Trademarks[16], in which it was held that the United States Patent and Trademark Office was not correct, when acting as an International Searching Authority, to find a lack of unity of invention in claims drawn to a die for forging a sprocket and a process for forming a sprocket. The Court was of the view that it was an unreasonable interpretation of PCT Rule 13.2(ii) to take the position that unity exists under the term "specifically designed," if the process and apparatus can only be used with each other.

Consequently, the Office has adopted the position that, in processing international applications, PCT Rules 13.1 and 13.2 will be followed when considering unity of invention of claims of different categories without regard to the national practice imposed through 35 USC 111. This PCT unity of invention criteria practice, moreover, will be applied in national stage applications entered under 35 USC 371. Should a national stage application lead to a continuing application, the United States restriction practice established under 35 USC 111 will be applied to the continuing case.

Animal Patentability

Last April the United States Patent and Trademark Office published the position in 1077 O.G. 24 that nonnaturally occurring nonhuman multicellular living organisms are patentable. The United States Congress was able, temporarily, to hold back this "Brave New World," at least until September 30, 1987, through amendment to an appropriation bill (H.R. 1827).

The Office's position on "animal patenting" is that of logical development from existing case law, in which Diamond v. Chakrabarty, 206 USPQ 193 (1980) and In re Allen 2 USPQ 2d 1425 (Bd. Pat. App. & Int. 1987) are leading illustrations. In this circumstance, as quickly as the restriction expires on September 30, the Office will be prepared to grant patents for animals that meet all other criteria for patentability.

Many arguments were raised against the Office's position on this matter, all of which appear to have matured into a bill (H.R. 3119), introduced on August 5, 1987 by Representative Charles Rose, to impose a two-year moratorium on issuing patents for animals. The purpose of this bill is to provide Congress an opportunity to consider the effect of patents for animal life.

Should Mr. Rose's bill be enacted into law, it would not only revoke existing United States patents granted for this form of life, but it would also appear to bar patent protection, after the two year hiatus terminates, to those animal forms developed during the moratorium. Quite possibly, the bill, if adopted in its present form, might expose the Government to substantial liabilities for the revocation of existing patents.

Thus, it seems that applicants contemplating filing United States patent applications for these life forms should lodge their cases swiftly to obtain as much protection as the Rose bill is likely to provide, should it be enacted in its present

form. Presumably, a right to seek compensation in the United States Court of Claims for this apparent "taking" of private property or to gamble that a patent will issue after the two-year period expires is better than denial of the right to a patent because the technology was perfected during the two year term.

Patent Term Extension

On June 23, 1987 the United States Patent and Trademark Office published rules for extension of patent term.[17] This is, of course, a most complicated area of inquiry and, perhaps, the best service this paper can provide to you is to draw your attention to the fact that these rules have been adopted.

Briefly, these new rules were adopted to provide the necessary procedures that must be followed in order to extend patent life as authorized through 35 USC 156. As I am sure most of us know, Section 156 permits the term of a patent directed to a human drug, a medical device, a food or a color additive that is subject to regulation under the Food, Drug and Cosmetic Act to be extended by as much as five years. This extended term is based upon the length of time the patented subject matter is kept off the United States market for regulatory review.

These new rules reduced the term extension filing fee from US$750 mentioned earlier in this paper to US$550. The US$200 refunds, where appropriate, will be made by the Office without the need for the applicant to file a request. Your attention is specifically invited to 37 CFR 1.740 which specifies the contents of a formal application for a patent term extension. There are 17 individual requirements that must be met in a term extension application under this new rule. Certainly, you must carefully comply with these requirements in order to lodge an acceptable application.

The less lengthy requirements that must be met (six, in number) in order to establish a patent term extension application filing date are detailed in Rule 741.

Separate rules for calculating term extensions for human drugs, food and color additives and medical devices are enumerated in Rules 775, 776 and 777, respectively.

The foregoing survey is only suggestive of the many important changes that have taken place in United States patent law since late 1984. Apart from the statutory, regulatory and -

as they reflect upon domestic United States practice - international arrangements, there have been a number of landmark decisions in the case law that have only been suggested in this paper, and of which In re Allen, mentioned above is typical.

Special Status For Superconductivity

A recent United States Patent And Trademark Office notice has announced that it will grant "special" status to applications for inventions that involve superconductive materials. 18 "Special" status means that an application for patent is taken out of its order of examination and advanced for priority consideration by the Patent Office. 19 Inventions to which this "special" status will be accorded are, illustratively, superconductive materials, their manufacture and application.

To request "special" status for an application in this category, the request must be in writing and identify the patent application by serial number and filing date. A statement under 37 CFR 1.102 that the invention involves superconductive materials must be included in the request and no fee is imposed for lodging a request for "special" status under this Notice.

Anticipated "Rules of Practice" Changes

A number of proposals to change the Patent Office "Rules of Practice" have been announced by that Office within the last few months. The specific wording of the actual changes, and if adopted, the effective dates of the changes cannot be predicted accurately at this writing (January, 1988). Nevertheless, it does seem likely that most, if not all of these proposals for change will be adopted in one form or another within the next few months.

Accordingly, it is expected that there will be a number of changes in the Rules as they relate to "swearing back" of a reference under 37 CFR 1.131 (a) to better conform with present interference practice. Further, there are proposals to limit the length of appeal and reply briefs in ex parte appeals, reset the time for requesting an oral hearing in ex parte appeals, clarify the procedure with respect to a final rejection made after remand on appeal and to better state the Rule that relates to access to pending or abandoned applications. Further proposed changes relate to interference practice. 20

Another proposed addition to the "Rules of Practice" that should be of special interest to the pharmaceutical industry relates to rules that govern the deposit of biological materials for patent purposes. 21

Rule changes also are under consideration to require plant patent applicants to record identifying variety denominations for plants that are the subjects of their applications. The Rules that relate to plant patents also are expected to be amended to fulfil obligations imposed by the United States membership in the Convention of the International Union for the Protection of New Plant Varieties (the "UPOV Convention"). 22

Please address any questions you may have about these changes to me at this time.

Thank you for your courtesy and for your attention.

1 United States Patent Office "Official Gazette," U.S. Government Printing Office, Washington, Vol. 1075, pp 21 and 22, February 17, 1987. (Hereafter cited as "O.G.")

2 Patent Policy, Recent Changes in Federal Law Considered Beneficial, United States Government Accounting Office, Washington, April, 1987, p. 11. (Hereafter cited as Patent Policy)

3 Patent Policy, p. 29

4 Patent Policy, p. 28.

5 World Patent Law And Practice, Vol. 2, J. W. Baxter and J. P. Sinnott, Matthew Bender, New York, 1969 (Supplemented to 1987), p. 16-194. (Hereafter cited as Baxter).

6 World Patent Law And Practice, Vol. 2B, J. P. Sinnott, Matthew Bender, New York, 1974 (Supplemented to 1987), p. U.S.A.-19. (Hereafter cited as Sinnott, Vol. 2B).

7 "Initial Guidelines Implementing Changes in 35 U.S.C. 103, 116 and 120," 1074 OG 212 et seq., January 13, 1987.

8 Sinnott, Vol. 2B, p. U.S.A.-23.

9 Sinnott, Vol. 2B, pp. 6-USA to USA-7.

10 Sinnott, Vol. 2B, p. 28.1 -U.S.A.

11 Sinnott, Vol. 2B, p. USA-47 et seq.

12 Sinnott, Vol. 2B, p. USA-28.2.

13 Baxter, p. 16-204.

14 Sinnott, Vol. 2B, pp. 40-USA and USA-41, and Baxter,p. 16-204.

15 Public Law 99-616, 99th Congress 1078 OG 12, 13 and 37 CFR 1.401 et al. (1078 OG 32 et seq.).

16 231 USPQ 590 (E.D. Va., 1986)

17 1079 O.G. 52 et seq.

18 1082 O.G. 7

19 "Manual of Patent Examining Procedure," Section 708, U.S. Department of Commerce, Washington, p. 700-38.

20 1083 O.G. 19 et seq.

21 1082 O.G. 47 et seq.

22 1085 O.G. 15 et seq.

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# "Patent Term Extension in Japan"

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## I. Introduction

In the United States, as the Drug Price Competition and Patent Term Restoration Act of 1984 was executed by the President on September 24, 1984, the patent term extension system has been started for specific fields such as human drug products, and another bill for the patent term extension for animal drug products and agricultural chemicals has been already introduced.

Also in Japan, a law for amending parts of the patent laws or the like was published on May 25, 1987.

The amendment includes the following as its major subjects:

1. Improvement on the multi-claim system
2. Provision of flexibility for various terms, and international harmonization
3. Extension of patent term

In the following, first the above items 1 and 2 are briefly explained, and then the extension of patent term is discussed in full detail.

## II. Overview of Amendment for the Laws

### 1. Improvement on the multi-claim system

The requirement has been expanded for inter-relations between a plurality of inventions that can be filed with one application (Amended Patent Law, Article 37). The requirements for writing claims have been revised so that the same invention can be recited in two or more claims and in various expressions. This enables an applicant to freely recite his invention (Amended Patent Law, Article 36 Paragraphs 4 and 5). Thus, the scope of an invention in Japan that can be included in one application becomes same as that of an application for the United States or an EPC application. According to those amendments, the patentability is judged

in the examination on a claim to claim basis. The filing of an appeal for invalidity and its withdrawal, as well as abandonment of patent right can be performed for each claim (Amended Patent Law, Article 123 Paragraph 1, Article 155 Paragraph 3, and Article 185).

2. Provision of flexibility for various terms, and international harmonization

a. Extension of deadline for filing a certificate of priority (Amended Patent Law, Article 43 Paragraph 2)

It has been extended to "within one year and four months from the priority date" from the previous "within three months from the application date."

b. Extension of deadline for raising an opposition to a patent (Same, Article 55)

It has been extended to "within three months from the publication date" from

the previous "within two months from the publication date."

c. Abolition of the term for excluding foreign publication in an appeal for invalidity (Deletion of Previous Patent Law, Article 124)

d. Withdrawal of reservation based on PCT, Article 62 Paragraph 2 (a) (Article 184-4 of the same law)

The deadline for filing a translation of PCT application in a foreign language where Japan is the selected country has been extended to "within two years and six months from the priority date" from the previous "within one year and eight months from the priority date."

## III. Patent Term Extension System

### 1. Details of patent term extension system

#### (1) Background of amendment

It has become significant from around 1975 that, in some industrial fields such as medicines, the collection and examination of data tend to take a long period of time to obtain approval and permission based on governmental regulations for securing safety. Thus, it has been significant to a case where, even if a patent right is established, the patented invention cannot be implemented, and when the approval and permission is obtained, the residual term is already too short. Such a situation means that the period of enjoying the advantages of exclusive ownership of a patent right is shortened. It is the situation to endanger the foundation of the patent system that accepts enjoyment of advantages through exclusive ownership of a right in compensation of disclosure of an invention. Thus, the

the patent term extension system has been introduced.

(2) Overview of the system

a. Extendable patent

The subject extension is a patent right of a patented invention that cannot be implemented for two or more years because, before implementing it, it must undertake a disposition such as approval or the like prescribed by a law in the purpose for securing safety that is prescribed by a governmental ordinate to take a considerable period of time to properly perform it in view of its objectives and procedure (Amended Patent Law, Article 67 Paragraph 3).

At present, it is planned to specify human medicines and drugs (those approved under the provision of Article 14 of the Drugs, Cosmetics and Medical Instruments Act) by a governmental ordinate.

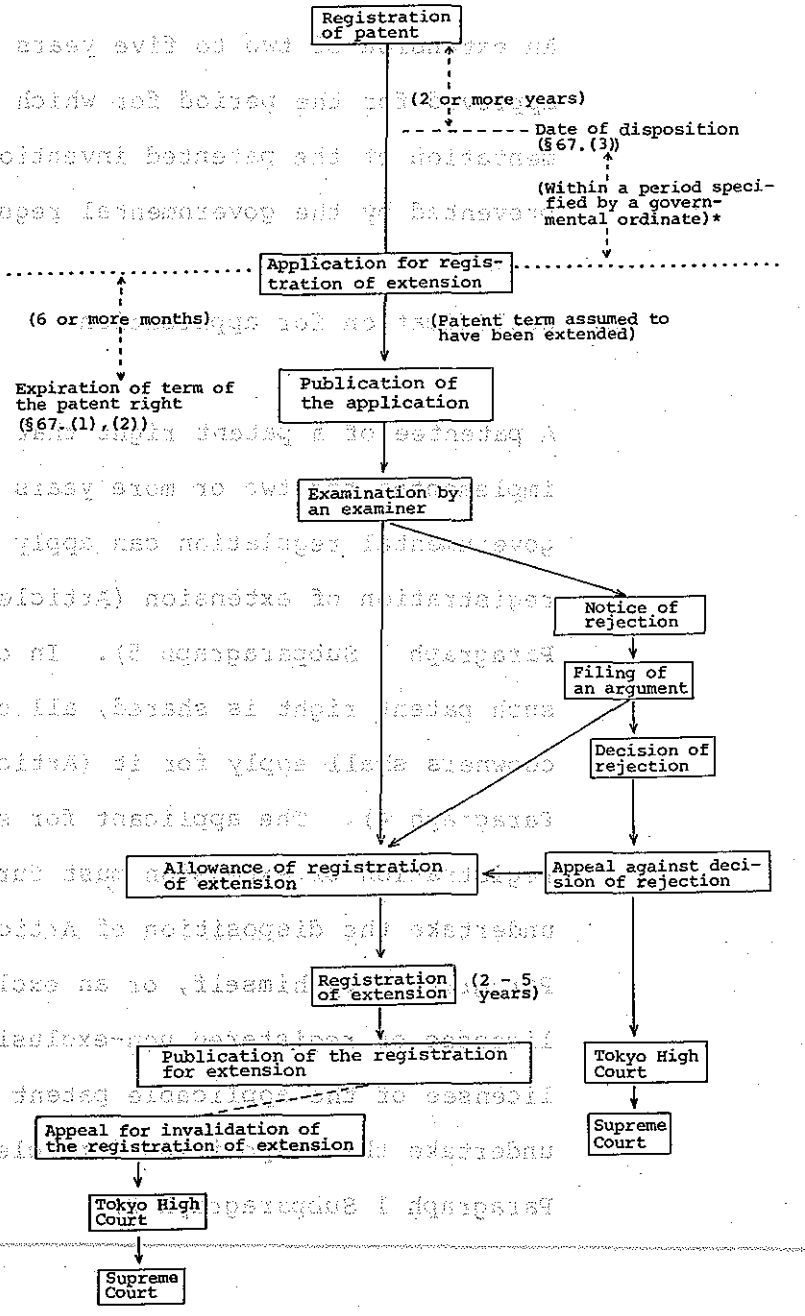
b. Period of extension

An extension of two to five years will be approved for the period for which the implementation of the patented invention is prevented by the governmental regulation.

c. Qualification for application

A patentee of a patent right that cannot be implemented for two or more years by the governmental regulation can apply for a registration of extension (Article 67-3 Paragraph 1 Subparagraph 5). In case where such patent right is shared, all of the coowners shall apply for it (Article 67-2 Paragraph 4). The applicant for such registration of extension must further undertake the disposition of Article 67 Paragraph 3 by himself, or an exclusive licensee or registered non-exclusive licensee of the applicable patent right must undertake the disposition (Article 67-3 Paragraph 1 Subparagraph 2).

d. Outline of procedure for registration of extension




* The period is expected to be 90 days or 3 months.

e. Grounds for rejection (Article 67-3 Paragraph 1)

(1) In cases where the dispositions specified by the governmental ordinate is not deemed to be necessary in implementing the patented invention.

(2) In case where patentees, exclusive licensees or non-exclusive licensees have not undertaken the dispositions specified by the governmental ordinate.

(3) In cases where the period for which the patented invention cannot be implemented is less than two years.

(4) In cases where the term for which the extension is sought exceeds the period for which the patented invention cannot be implemented.

(5) In cases where the applicant is not the patentee.

(6) In cases where the application is not filed in cooperation, if the patent right is shared.

If the examiner cannot find grounds for rejection, he must decide that the extension shall be registered (Article 67-3 Paragraph 2). Once such decision is made, the extension of term shall be registered (Paragraph 3 of the same article), and shall be included in the patent publication (Paragraph 4 of the same article).

f. Appeal

An appeal against the decision according to Article 121 may be lodged against the decision of rejection.

g. Effect of the patent right

The effect of the patent right extended shall not be expanded to activities other than the implementation of the specific

invention for the product subject to the dispositions prescribed by the governmental ordinate that is the ground of the registration of extension (if the disposition prescribes a specific use for a product, the product for the use) (Article 68-2).

h. Appeal for invalidity of the registration of extension of term

A third party disagreeable to the registration of extension of the term may lodge an appeal for invalidity of the registration of extension (Article 125-2). The ground for invalidity is any one of (1), (2), (4) - (6) of the grounds of rejection, but does not include (3). In case a decision to make the registration of extension invalid is finalized, the extension of the term under the registration is considered not to have been made from the beginning. However, if it is made invalid on the grounds that the extended period exceeds the period for which the patented invention could not be implemented, the extension shall be considered

not to be extended during the exceeding period.

In addition, in case, even after the patent right has been extended, there is no mistake in the registration of extension itself, but there are grounds for invalidity in the patentability of the original patent right, a normal appeal for invalidity (Article 123) must be lodged.

i. Restoration of term in the technical field other than medicines and drugs

The current amendment of the law prescribes that the dispositions to which the restoration applies shall be specified by a governmental ordinate. Therefore, if erosion of a patent term is also recognized in the field other than the medicines (for example, agricultural chemicals) in a degree similar to that in the medicines, and the restoration of term is judged to be effective, similar specifications will be given.

## 2. Comparison between Japan and the United States

The following tables show the difference in this system between Japan and the United States.

Table. Differences in legislation on the patent term extension between Japan and the United States

(1) Extendable patent

| Japan | The United States |
|---|---|
| (i) A patent claiming an invention which, for its implementation, requires the undertaking of dispositions specified by the governmental ordinate (at present, approval for manufacturing of human medicines and drugs according to Article 14 of the Drugs, Cosmetics and Medical Instruments Act) | (i) A patent claiming medicines, medical instruments, food additives or coloring agents (products), or their use or manufacturing process, which product has been subject to a regulatory review period under Federal Food, Drug and Cosmetic Act before its commercial marketing or use. |
| (ii) A patent the invention of which cannot be implemented for two or more years after the registration of the patent because it is subject to the above dispositions. (A period less than two years for which the invention is not implemented is not subject to the extension.) | (ii) A regulatory review period not exceeding six months is not subject to the term extension. |

| Japan | The United States |
|---|---|
| (iii) The patent for (i) above may be plural. | (iii) Only one patent can be extended for one regulatory review period. (The applicant shall make the selection.) |

(2) Period in which the extension can be applied, examining agency, and extension period

| Japan | The United States |
|---|---|
| (i) The application must be filed within a period* specified by a governmental ordinate after approval for manufacturing, but not later than six months before expiration of the patent. | (i) The application must be filed within 60 days after the date of approval, but before the expiration date of the patent. |
| (ii) The Patent Office performs the examination. | (ii) PTO and FDA perform the examination. |
| (iii) The extension term shall be two to five years. | (iii) Maximum extension period is five years, and total of the term of the patent right remaining after approval and the extended term cannot exceed 14 years. |

* The period is expected to be 90 days or three months.

(3) Scope of the extended patent right

It is strongly restricted by the details of the approval in either case, but there might be slight difference between that of Japan and the United States depending on practice.

(4) Appeal by a third party

| Japan | The United States |
|---|---|
| An appeal for invalidation of the registration of extension may be lodged. | (i) A petition may be submitted to determine failure in due diligence.<br><br>(ii) An interested person may request an informal hearing. |

3. Observation

The patent term extension system is planned to cover patents for medicines and drugs for the time being. Under such circumstances, the dispositions by a law according to the system means the approval of human medicines and drugs as prescribed in the Drugs, Cosmetics and Medical Instruments Act.

In the following, precautions in utilizing the system are described by exemplifying a patent for medicines or drugs:

(i) The subject of the application for the registration of extension is the patent rights for products approved on or after October 1, 1987, if the period prescribed by the governmental ordinate is three months.

(ii) Because this system intends to compensate for the period for which the patented invention cannot be implemented to obtain

the approval, the extension of term is not applied to a case where it cannot be implemented for a reason independent from the approval, such as application for listing on the price standard for medicines.

(iii) In case the person receiving the approval is not the patentee but a non-exclusive licensee, because the non-exclusive licensee is required to be registered until the allowance is issued, it is recommended that at least the registration of a non-exclusive license be filed at the time when the registration of extension is applied for.

(iv) The effect of the extended patent right is expanded only to products and uses approved, but the term for the entire patent right is not extended. Therefore, in the case of a patent that recites a plurality of products uses, it should be considered that the registration of extension may be applied to each product and use that has been approved.

(v) In case the extended patent contains unnecessary claims, any of those claims may be waived when paying the annual fee for the extended period.

IV. Material

Abstracts of the New Bill

[Multi-Claim System]

Article 36, Paragraphs 4 and 5 are amended as follows:

"4. The Section of Claim prescribed in Paragraph 2 Subparagraph 4 must conform to the following subparagraphs:

(i) An invention whose patent is being sought is the one that is set forth in the Detailed Description of the Invention.

(ii) It is divided into items (hereinafter referred to as "a claim" or "claims") that recite only matters indispensable in constituting the inventions whose patent is being sought.

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(iii) It is further set forth as prescribed in the Ordinate of the Ministry of International Trade and Industry.

5. The provision in the preceding Paragraph does not preclude a case where an invention is recited in plural claims."

Article 38 is deleted, Article 37 is changed to Article 38, and the following Article is added after Article 36.

"Article 37. A patent for more than one inventions may be applied for with one application in a case where they are one invention (hereinafter referred to as "specific invention") and other invention or inventions that has the following relations with the specific invention.

(i) An invention of which the industrial field of utilization and the subject to be solved are the same as those of the specific invention.

(ii) An invention of which the industrial field of utilization and the major portions of matters indispensable to its constitution are the same as those of the specific invention.

(iii) Where the specific invention relates to a product, an invention of a method for producing the product, an invention of a method for using the product, an invention of a method for handling the product, an invention of a machine, an apparatus, equipment, or a device for producing the product, an invention of a product solely utilizing specific properties of the product, or an invention of a product handling the product.

(iv) Where the specific invention relates to a method, an invention of a machine, an apparatus, equipment, or a device directly used in embodying the invention of the method.

(v) Any other invention having relations to the specific invention that are prescribed by a governmental ordinate.

[Patent Term Extension]

The following paragraph is added to Article 67:

"3. The term of a patent right may be extended for a period not exceeding five years by filing an application for registration of patent term extension, if the patented invention cannot be implemented for at least two years because of the necessity for undertaking an administrative disposition such as an approval, etc., that is provided by a law existing for the protection of public health and safety, and if this disposition is prescribed by a governmental ordinate to be one that requires a considerably long period of time to perform because of its objectives, procedures, etc."

The following three Articles are added after Article 67.

"(Registration of Patent Term Extension)

Article 67-2 A person desiring to apply for a registration of patent right extension shall submit an application to the Chief of the Patent Office setting forth the following items:

(i) The name and the address or residence of the applicant and, in the case of a legal person, the name of its representative

(ii) The patent number

(iii) The term of the extension being sought (limited to a period of two or more years but not exceeding five years)

(iv) Details of the administrative disposition prescribed by the governmental

ordinate and referred to in Paragraph 3 of the preceding article

2. The application referred to in the preceding Paragraph shall be accompanied by materials setting forth the grounds for the extension, as prescribed by Ordinate of the Ministry of International Trade and Industry.

3. The application for the registration of patent term extension shall be filed within a period decided by a governmental ordinate from the date when the administrative disposition prescribed by the governmental ordinate referred to in Paragraph 3 of the preceding article is enforced, but not after the date six months prior to the expiration date of the patent right, as provided in Paragraphs 1 and 2 of the preceding article.

4. In the case of a patent right under joint ownership, no application for the registration of patent term extension shall be filed

unless it is filed jointly by all of the joint owners.

5. When an application for the registration of patent term extension is filed, the term shall be deemed extended, except for a case where a decision of rejection of the applicaion becomes final and conclusive, or a registration is made to the effect that the patent term is extended.

6. When an application for patent term extension is filed, the items listed in each subparagraph of Paragraph 1 shall be published on the patent publication.

Article 67-3 The examiner shall make a decision that an application for the registration of patent term extension is to be rejected if it falls under any one of the following subparagraphs:

(i) The administrative disposition prescribed by the governmental ordinate

referred to in Article 67, Paragraph 3 is not recognized as having been essential in implementing the patented invention.

(ii) The patentee, an exclusive licensee or a registered non-exclusive licensee of the patent right has not been subject to the administrative disposition prescribed in the governmental ordinate referred to in Article 67, Paragraph 3.

(iii) The period for which the patented invention cannot be implemented does not exceed two years.

(iv) The period of the extension being sought exceeds the period for which the patented invention cannot be implemented.

(v) The applicant is not the relevant patentee.

(vi) The application fails to meet the requirements prescribed in Paragraph 4 of the preceding article.

2. Where the examiner finds no grounds for rejecting an application for the registration of the patent term extension, he must make a decision to the effect that the extension of the term shall be registered.

3. When the decision of the preceding paragraph is made, the extension of the patent term shall be registered.

4. Upon registration under the preceding paragraph, the following items shall be published on the patent publication:

(i) The name and the address or residence of the applicant and, in the case of a legal person, the name of its representative

(ii) The patent number

(iii) The date when the registration is entered

(iv) The term extended

(v) Details of the administrative disposition prescribed by the governmental ordinate referred to in Article 67, Paragraph 3

Article 67-4 The provisions as prescribed in Paragraph 1 of Article 47, and Articles 48, 50 and 63 shall be applied to the examination of the application for the registration of patent term extension."

The following article is added after Article 68.

"(Effects of a term-extended patent right)

Article 68-2 The patent right whose term has been extended (including that whose term is deemed to have been extended under the provision of Article 67-2, Paragraph 5) shall

not effect any activity other than the implementation of the patented invention in connection with the product subject to the administrative disposition prescribed by the governmental ordinate referred to in Article 67, Paragraph 3 (in case a specific use for the product is defined in the disposition, the product to be used for that use)."

The following article is added after Article 125.

"(Appeal for invalidation registration of patent term extension)

Article 125-2 Where the registration of patent term extension falls under any one of the following items, an appeal may be lodged for invalidation of the registration:

(i) The registration of patent term extension has been entered for an application for a case where the administrative disposition prescribed by the governmental ordinate referred

to in Article 67, Paragraph 3 is not recognized as having been essential in implementing the patented invention.

(ii) The registration of patent term extension has been entered for an application for a case where the patentee, an exclusive licensee or a registered non-exclusive licensee of the patent right has not been subject to the administrative disposition prescribed in the governmental ordinate referred to in Article 67, Paragraph 3.

(iii) The registration of patent term extension has been entered for an application for a case where the extended period exceeds the period for which the patented invention cannot be implemented.

(iv) The registration of patent term extension has been entered for an application for a case where the applicant is not the relevant patentee.

(v) The registration of patent term extension has been entered for an application for a case where the application fails to meet the requirements prescribed in Paragraph 4 of Article 67-2.

2. The provisions of Paragraphs 2 and 3 of Article 123 shall be applied to the lodging of the appeal according to the preceding paragraph.

3. Where a decision of an appeal to the effect that a registration of patent term extension is to be invalidated has become final and conclusive, the patent term extension by the registration shall be deemed never to have existed. However, where the registration of patent right extension falls under Paragraph 1, Subparagraph 3, and a decision of an appeal to the effect that the registration of patent term extension for an excess period exceeding the period for which the patented invention cannot be implemented

**is to be invalidated has become final and conclusive, the patent right shall be deemed never to have been extended for the excess period.**

# BEST MODE: DO WE NEED IT?

Roger L. May*

## Introduction

International harmonization of patent laws has become a common topic of discussion in intellectual property circles. At a time when the world economy is drawing ever closer and international trade is becoming increasingly interdependent the need for harmonization of all laws relating to intellectual property, including patents, is indeed compelling. For this reason, issues relating to harmonization have been and are being discussed at meetings of numerous organizations including, to name but a few, WIPO, AIPPI, IPO, PIPA and the American Bar Association. Discussion is occuring as well in other forums such as the tri-lateral conferences between the European, United States and Japanese Patent Offices and as a part of the current round of GATT talks. In each of these forums it has been pointed out on numerous occasions that the sine qua non of international harmonization of patent laws is flexibility by all participants. No country can expect to retain all provisions of its laws. Rather, each must expect to make compromises, perhaps at the expense of some significant parochial interests, in order to develop a world patent system which will effect a greater good for all.

In harmonization discussions held to date, a number of changes to the patent laws of the United States have been proposed. Perhaps the most controversial has been the proposal that the United States change from its current first-to-invent system[1] to a first-to-file system. Still other proposed changes to U.S. law include: (a) making the whole content of a prior art reference available as of its convention priority date rather than

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1. See 35 U.S.C. §§101, 102, 103 defining patentable subject matter.

as of its domestic filing date[2]; (b) making such "secret prior art" available to defeat novelty, but not for obviousness determinations[3]; (c) modification of application confidentiality provisions[4] to allow publication 18 months from the priority date; (d) changing the term of a patent from the current 17 years from date of issue[5] to 20 years from filing (e) changing the prefiling grace period; (f) requiring mandatory reexamination; and (g) providing for deferred examination.

Still another suggested change to U.S. law, which has drawn much less attention, but which may prove of much greater significance, is a proposal to eliminate the requirement that the patent specification set forth the best mode contemplated by the inventor, at the time of filing of the application, for carrying out his invention.[6] The purpose of this paper is to consider the wisdom of eliminating this best mode requirement. To put this issue into proper perspective we will consider: (a) the disclosure requirements of U.S. law; (b) the basis for and the policy considerations underlying these disclosure requirements;

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2. This change would overrule the holding of the C.C.P.A. in In re Hilmer, 359 F.2d 859, 149 USPQ 480 (1966), that 35 U.S.C. 119 has no effect upon the useful reference dates of U.S. patents based upon convention priority filing. The C.C.P.A. stated that 35 U.S.C. 119 does not operate to give a first foreign filed convention application the same effect as filing a U.S. application for all purposes, but that the effect of the statute was to have the foreign application treated as a prior reduction to practice in the U.S. in relationship to any intervening acts which would affect the novelty of the invention in the U.S. According to Hilmer the effective reference date under 35 U.S.C. 102(e) of such a patent claiming foreign priority would be the domestic filing date. The proposed change would presumably expand the scope of 35 U.S.C. 119 to include at least 35 U.S.C. 102(e) considerations.

3. 35 U.S.C. 102(e) prior art is presently available for obviousness determinations under 35 U.S.C. 103.

4. See 35 U.S.C. 122.

5. See 35 U.S.C. 154.

6. See 35 U.S.C. 112, First Paragraph.

(c) factors distinguishing best mode from enablement requirements of U. S. law and the development of case law with respect thereto; (d) disclosure requirements of other countries; (e) the impact of U.S. best mode requirements upon patent applications filed in foreign countries not requiring disclosure of the best mode; and (f) the relationship of the best mode proposal to other harmonization proposals.

Disclosure Requirements Under U.S. Law

The disclosure required of an inventor under U.S. law is set forth in the first paragraph of 35 U.S.C. 112 which reads:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention."

This paragraph of the U.S. patent statute includes two requirements. The first, referred to as "enablement", requires a description in such "full, clear, concise, and exact terms as to enable any person skilled in the art ... to make and use [the invention]". The second requirement is that the specification set forth the best mode contemplated by the inventor of carrying out his invention.

Basis For and Policy Considerations Behind Disclosure Requirements of U.S. Law

Article I, Section 8, Clause 8 of the U.S. Constitution grants Congress the power "to promote the Progress of Science and useful Arts, by securing for limited time to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Congress, acting on this authority, has enacted laws granting to

inventors for limited times the right to exclude others from making, using, and selling their new and useful invention in return for the disclosure of the invention and eventual dedication of the invention to the public upon expiration of the patent term.[7,8] It is in fulfillment of this bargain that the inventor must comply with the enablement and best mode requirements discussed above.

Policy considerations behind the disclosure requirements of U.S. law were summarized succinctly by Judge Giles S. Rich in In re Nelson[9]. In Nelson, Judge Rich lists three objectives or public advantages fulfilled by the disclosure requirements of the first paragraph of 35 U.S.C. 112, all of which have their origins in the bargain which a U.S. patent represents between the inventor and the public. Because the law grants the patentee an exclusive right, with appropriate remedies of injunction or damages for infringement of that right, the law demands that the invention be described so that every person skilled in the art may, by examining the specification, (1) know what the patentee claims and be able to distinguish what may be an infringement, (2) have the advantage of complete knowledge of the invention after expiration of the patent, and (3) have the advantage of the addition to the technical literature immediately upon issuance of the patent without waiting for its expiration.

Judge Rich summarizes the patent system as:

> ...an incentive system calculated to do two things, principally. First, it stimulates

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7. See Woodbridge v United States, 263 U.S. 50(1923); Scott Paper Co. v Marculus Mfg. Co., 326 U.S. 249, 67 USPQ 193(1945).

8. For further discussion of the history of the best mode requirement in U.S. Patent Law see Anderegg, "The Best Mode Requirement of 35 U.S.C. 112", 6 APLA Q. J. 219 (1978).

9. 280 F.2d 172, 126 USPQ 242 (C.C.P.A. 1960).

> work, research, development, invention, and discovery by holding out the prospect of profit. Second, in exchange for and as a condition of the patent protection, it secures a full disclosure of the invention. Promotion of the useful arts takes place through the combination of these two factors, the doing of work and the disclosure of the results thereof.
>
> .
> .
> .
>
> As a corollary, there is the matter of private publication of the results of research which in turn fertilizes and assists further research.(emphasis in original)[10]

Finally, he summarizes the "quid pro quo" for patent protection and the importance of the disclosure requirements as follows:

> The basic purpose of the requirement that the specification contain a written description of the invention is to put those skilled in the art in possession of sufficient knowledge to enable them to practice the invention. One cannot read the wording of §112 without appreciating that strong language has been used for the purpose of compelling complete disclosure. There always exists, on the part of some people, a selfish desire to obtain patent protection without making a full disclosure, which the law, in the public interest, must guard against. Hence, §112 calls for description in 'full, clear, concise, and exact terms' and the 'best mode' requirement does not permit an inventor to disclose only what he knows to be his second-best embodiment, retaining the best for himself.[11]

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10. Id. at ; 251.

11. Id. at ; 253.

Best Mode Distinguished From Enablement
And Development Of Law With Respect Thereto

The above discussion in In re Nelson makes it clear that Judge Rich viewed the enablement and best mode requirements of the first paragraph of USC 112 to be separate and distinct. He further defined the difference between the two requirements in the decision In re Gay[12]:

> The essence of [the enablement requirement] is that a specification shall disclose an invention in such a manner as will enable one skilled in the art to make and utilize it. Separate and distinct from [enablement] is [the best mode requirement], the essence of which requires the inventor to disclose the best mode contemplated by him, as of the time he executes the application, of carrying out his invention. Manifestly, the sole purpose of this latter requirement is to restrain inventors from applying for patents while at the same time concealing from the public preferred embodiments of their inventions which they have in fact conceived.
>
> ... the question of whether an inventor has or has not disclosed what he feels is his best mode is, however, a question separate and distinct from the question of the sufficiency of his disclosure to satisfy the requirements of [enablement]"(emphasis in original)[13]

It is indeed appropriate that the most recent pronouncement on the status of disclosure requirements under U.S. Patent Law has been made by Judge Rich, some 27 years after his decision in In re Nelson. The decision, rendered August 17, 1987 is Spectra- Physics, Inc. v Coherent, Inc.[14] In Spectra-Physics Judge Rich again

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12. 309 F.2d 769, 135 USPQ 311 (CCPA 1962).

13. Id. at 772; 315.

14. Spectra Physics, Inc., v. Coherent, Inc., slip opinion, decided August 17, 1987 (Fed. Cir.).

summarizes the law with respect to disclosure and clearly distinguishes enablement from best mode. In addressing the apparent confusion of the district court as to the distinction between enablement and best mode requirements of 35 USC 112, Judge Rich offers a tutorial on best mode. First, he points out that enablement deals with placing the subject matter of the claims generally in the possession of the public, but enablement is to be distinguished from the disclosure requirement placed upon the applicant if he develops specific instrumentalities or techniques which are recognized at the time of filing as the best way of carrying out the invention. Any such instrumentalities or techniques relate to the best mode requirement and require a disclosure of such information to the public.[15] As a second item, Judge Rich points out that non-enablement is the failure to disclose any mode[16] and does not depend on the applicant advocating a particular embodiment or method for making the invention. He states that:

> ...where only an alternative embodiment is enabled, the disclosure of the best mode may be inadequate. But that is a question separate and distinct from the question whether the specification enabled one to make the invention at all. In re. Gay, 309 F.2d at 772, 135 USPQ at 315.

Thirdly, Judge Rich points out that because the best mode provisions of §112 speak in terms of the best mode "contemplated by the inventor" there is no objective standard by which to judge the adequacy of the best mode disclosure. Instead, only evidence of "concealment,", whether accidental or intentional, is

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15. See Flick Reedy Corp. v. Hydro-Line Mfg. Co., 351 F.2d 546, 146 USPQ 694 (7th Cir. 1965), cert. denied, 383 U.S. 958 (1966); and Union Carbide Corp. v. Borg Warner Corp., 550 F.2d 355, 193 USPQ/ (6th Cir. 1977).

16. In re Glass, 492 F.2d 1228, 181 USPQ 31 (CCPA 1974).

considered.[17] By holding that "concealment" may be either intentional or unintentional, the Court put to rest speculation that it would overrule In re Sherwood[18] in favor of the logic of 2nd and 3rd Circuit opinions requiring specific intent to conceal.[19]

Judge Rich further notes that the specificity of disclosure required to comply with the best mode requirement must be determined by the knowledge of facts within the possession of the inventor at the time of filing of the application.[20] Still further, he points out that it is not up to the courts to decide how an inventor should disclose the best mode, but whether he has done so adequately under the statute[21], recognizing of course that even though there may be a general reference to the best mode in the disclosure, the quality of the disclosure may be so poor as to effectively result in concealment.[22]

Thus, as of today, per Spectra-Physics v. Coherent, the best mode requirement of U.S. Law is alive and well, clearly

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17. See De George v. Bernier, 768 F.2d 1318, 226 USPQ 758 (Fed. Cir. 1985); and In re Sherwood, 613 F.2d 809, 204 USPQ 537 (CCPA 1980), cert. denied, 450 U.S. 994 (1981).

18. Supra, note 16.

19. See Benger Laboratories, Ltd. v. R.K. Laros Co., 209 F. Supp. 639, 135 USPQ 11 (E.D. Pa 1962) aff'd 317 F.2d 455, 137 USPQ 693 (3rd Cir. 1963) and Carter-Wallace, Inc. v. Riverton Laboratories, Inc., 433 F.2d 1034, 167 USPQ 656 (2d Cir. 1970), and Gholz, "Best Mode-Intent to Conceal", JPOS, Vol. 65, No. 8, p. 436 (August, 1983).

20. United States Dept. of Energy v. Daugherty, 687 F.2d 438, 446, 215 USPQ 4, 11 (CCPA 1982).

21. Weil v. Fritz, 601 F.2d 551, 555, 202 USPQ 447,450 (CCPA 1979).

22. In re Sherwood, supra.

distinguishable from the enablement requirement and not only grounds for denial of issuance of a patent, but also grounds for invalidation of a patent.[23]

Comparison To Disclosure Requirements Of Other Countries

The patent laws of most of the major industrialized countries of the world and of a number of emerging countries do not require that the inventor or applicant disclose the best mode of practicing the invention. Rather, the disclosure requirements of most countries are limited to a requirement that the disclosure enable a person skilled in the art to practice the invention. This rather significant difference between U.S. law and the laws of other industrialized countries, of course, provides the impetus for the proposed change in U.S. law.[24]

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23. For other cases holding a patent invalid because of the inventor's failure to disclose the best mode, see Dale Electronics, Inc. v. R.C.L. Electronics, Inc., 488 F.2d 382, 180 USPQ 225 (1st Cir. 1973); Trans-World Display Corp. v. Mechtronics Corp., 437 F. Supp. 692, 195 USPQ 588 (S.D.N.Y. 1977); Indiana General Corp. v. Krystinel Corp., 297 F. Supp. 427, 161 USPQ 82 (S.D.N.Y. 1969); aff'd, 421 F.2d 1023, 164 USPQ 321 (2d Cir.), cert. denied, 398 U.S. 928, 165 USPQ 609; Engelhard Indus., Inc. v. Sel-Rex Corp., 253 F. Supp. 832, 149 USPQ 607(D.N.J. 1966)(summary judgment granted); Arbrook Inc. v. American Hospital Supply Corp., 202 USPQ 676 (N.D. Tex. 1977); Reynolds Metals Co., v. Acorn Building Components, Inc., 548 F.2d 155, 192 USPQ 737 (6th Cir. 1977); Westwood Chem. Inc. V. Dow Corning Corp., 189 USPQ 649 (E.D. Mich. 1975); Union Carbide Corp. v. Borg-Warner Corp., 550 F.2d 355, 193 USPQ 1 (6th Cir. 1977); Flick-Reedy Corp. v. Hydro-Line Mfg. Co., 241 F. Supp. 127, 144 USPQ 566, modified on other grounds, 351 F.2d 546 146 USPQ 694 (7th Cir.), cert. denied, 383 U.S. 958, 148 USPQ 771 (1970); Celestron Pacific v. Criterion Mfg. Co., 461 F. Supp. 603, 204 USPQ 12 (D. Conn. 1978)(alternate holding).

24. Other reasons for suggesting elimination are also advanced, but it is this author's opinion that they are secondary to the underlying view of the proponents of change that since U.S. law is different than the laws of other countries, it should be changed merely to conform. See Wegner, "Patent Law Simplification and the Geneva Patent Convention", 14 AIPLA Q.J. 154, 192 wherein it is stated that:

The European Patent Convention (EPC) essentially adopted German law regarding disclosure requirements. Accordingly, the EPC includes enablement Article 83 which requires that the application disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art, but contains no best mode requirement. However, in the event that the application specifies that certain advantageous results can be obtained from the invention, but does not disclose the means by which such advantages are to be realized, it is conceivable that the application could be rejected, or the granted European Patent revoked on the grounds of insufficient disclosure.[25] UK law prior to 1977 required that the applicant set forth the best mode known for practicing the invention. Changes necessitated by adherence to the EPC, however, resulted in a deletion of that requirement.[26]

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A major United States contribution to the patent world's supply of unique requirements is the "best mode contemplated" provision in Section 112. This is a subjective requirement that is difficult to determine in ex parte proceeding and usually serves as a pitfall in litigation, becoming a technical trap to invalidate patents. Neither Japan nor any of the major countries of Europe has anything resembling the United States subjective requirement for a best mode contemplated.

25. See Allam, "Chemical Patent Practice at the European Patent Office:, 13 AIPLA Q.J., 19, 21 (1985).

26. Section 4(3)(b) of the British Patent Act of 1949 required that the best method of performing the invention be included in the description. It is still grounds for revocation of patents granted under the 1949 Act that the best method of performing the invention is not described. The Patents Act of 1977 requires only that the Specification disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a skilled person [Section 14(3)]. See Burnside, "Chemical Patent Practice in Great Britain, 13 AIPLA Q.J. 33,36 (1985).

Japanese law, likewise, does not require disclosure of the best mode. The relevant provision, §36(3) of the Japanese Patent Law, provides that "the invention must be explained in such a manner that it may easily be carried out by a person having ordinary skill in the art to which the invention pertains". As long as an operable (easily carried out) example is given, the requirements of §36 (3) are met. It is interesting to note, however, that in the regulations promulgated by the Japanese Patent Office under the Patent Law, note 14(b) includes a statement that "the applicant should give as many examples as possible of those which he considers to bring about the best results and, where necessary, should describe the facts on the basis of concrete numerical values." Such notes, however, are understood as only being a recommendation which need not be adhered to.

The new Patent Law of the Peoples Republic of China also requires only enablement of the invention[27] as does the patent law of Korea.[28]

Impact of U.S. Best Mode Requirements on Patents Filed In Foreign Countries Not Requiring Best Mode

To the extent that an applicant filing a patent application in a country other than the United States has no intention of filing that same application in the United States, the U.S. best mode

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27. Article 26 of the Patent Law of the People's Republic of China adopted in 1984 provides, in pertinent part, that

> The description shall set forth the invention or utility model in a manner sufficiently clear and complete so as to enable a person skilled in the relevant field of technology to carry it out ..."

28. The Korean Patent Law (amended November, 1982) provides in Article 8, paragraph (3) that "a detailed explanation of the invention ... shall state the purpose, constitution and effect of the invention in such a manner that it may be easily carried out by a person possessing ordinary skill in the art to which the invention pertains."

requirement obviously will have no effect on the manner in which the application is drafted. If the applicant, on the other hand, intends to file in the United States and to obtain the benefit of the foreign priority date under 35 U.S.C. 119, it will be necessary to include in the application when filed in the foreign country, a disclosure of the best mode known to the inventor at the time the application is filed. 35 U.S.C. 119 provides that:

> An application for a patent for an invention filed in this country by any person who has ... filed an application for a patent for the same invention in a foreign country ..., shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, ...

While §119 makes no reference to compliance with §112 of the U.S. statute, it has been held that in order for an applicant to claim priority under §119, the priority document must disclose the invention in the manner provided by the first paragraph of 35 U.S.C. 112.[29] Thus, to the extent that an applicant in a foreign country wishes to protect an invention in the United States by filing in the U.S. and relying on its foreign priority date under §119 of the U.S. statute, U.S. law imposes a de facto best mode requirement on the application filed in the foreign country.

## Relationship To Other Harmonization Proposals

### First-to-File

The proposal to change U.S. Patent law to a first-to-file system, as previously mentioned, has stirred considerable debate and raised a number of concerns. These concerns relate in many

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29. See Kawai v. Metlesics, 480 F.2d 880, 178 USPQ 158 (CCPA 1973).

cases to the quality of disclosure which would be obtained under such a system. A number of commentators have pointed to the present quality of foreign applications as an example of a distinct difference between the results obtained under a first to file system and those of a first to invent system such as the U.S. system.[30] Concern about the quality of disclosure in a U.S. patent raises issues about the fulfillment of the bargain between the inventor and the U.S. public, which as previously discussed, is a cornerstone of the U.S. Patent System.

Implementation of the proposed harmonization amendment to eliminate the best mode requirement of U.S. Law is subject to the same criticism as that levied against the first to file proposal. In fact, elimination of the best mode requirement, even more than the first-to-file proposal, would result in a diminution of the quality of the disclosures in U.S. patents. Such an amendment would countenance the withholding of a best mode in favor of a mode of practicing the invention which is less desirable (of course, this assumes that the enablement requirement may be met without disclosing the best mode--a situation which would occur frequently).

In the absence of a requirement to disclose the best mode, in fact, patent attorneys and agents throughout the world would be remiss if they did not counsel their clients to withhold the best mode and to hold it as a trade secret to the extent that

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30. E.g., remarks entitled "Should we change the U.S. Patent System?" by Donald W. Banner, "Patent Laws Harmonization -- Should the U.S. Adopt a First to File System" by Ralph C. Medhurst, and "First-to-File, Mandatory Reexamination, and Mandatory 'Exceptional Circumstance': Ideas For Better? Or Worse?" by John J. McDonnell and Mark T. Banner, all delivered at The John Marshall Law School Center for Intellectual Property Law on June 9, 1987.

this is possible. Such a proposal would be an anathema to those who seek to fulfill the philosophy behind the U.S. Patent system. The end result would be that the U.S. public would be "short changed" in that it would not receive a disclosure of some of the most valuable information for which it had bargained.[31]

In reality, it would not only be the U.S. public which would be denied, but also the world public, for, as mentioned above, while many foreign countries have not required a best mode disclosure, the requirement in U.S. law has acted to create a de facto best mode requirement with respect to the more significant inventions filed initially in foreign countries. This is because applicants of such significant inventions are loathe to ignore the significant United States market. Accordingly, the best mode has been disclosed in the past by those practitioners learned in U.S. law and the public has benefited.

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31. For a discussion of antitrust implications of elimination of the best mode requirement, see Carlson, "The Best Mode Disclosure Requirement In Patent Practice", 60 JPOS 171 (1978) wherein it is stated at pp. 176-178 that:

> There is an apparent conflict between the public policy objective of free competition in the marketplace, on the one hand, and the objective of protecting the proprietary interests of the inventor, on the other. The antitrust laws such as the Sherman Act and the Clayton Act, and supplements to the antitrust laws such as the Federal Trade Commission Act, apparently promote the former objective, whereas the patent statutes are seemingly directed toward the latter. Absent best mode, such a dichotomy would operate in full force. That is, the inventor could secure statutory patent protection by means of a second-rate public disclosure in the patent, thereby preventing others from practicing the invention - a classic case of having one's cake and eating it too.

Finally, even assuming the U.S. Adopted a first-to-file system, it would not be necessary or desirable to eliminate the best mode requirement. That requirement could be present or absent with either system. Elimination of best mode in either case, however, would have a profound impact on the quality of U.S. patents and seriously impact the ability of the patent statute to fulfill the Constitutional mandate "to promote the Progress of Science and useful Arts."[32]

Unity of Invention

Japanese applicants have, in the past, expressed concern about the "best mode" requirement of U.S. law in view of the specificity with which indigenous Japanese applications are often written in order to meet the preferred Japanese standard of a single invention in a single application. The concern is that in view of the best mode requirement and restrictions in the U.S. on the addition of new matter, it becomes difficult for the Japanese applicant to combine the disclosures of these "single inventions" to support a more generic and comprehensive multiple-priority U.S. Application.[33] While unity of invention requirements under current Japanese law are perhaps more restrictive than those under U.S. and European patent practice, the proposal made at WIPO

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32. It may be argued by some that if a first-to-file system is adopted, patent applications will be filed prior to development of the most significant or commercial embodiments of the invention, thus making the best mode requirement less meaningful. The best which can be said for this argument is that it points out a possible weakness in the first-to-file system. It can hardly justify inviting an inventor to withhold the best mode which he contemplates at the time of filing.

33. AIPLA Bulletin, Mar.- Apr., 1984, p.123.

harmonization meetings to adopt unity of invention concepts similar to, if not somewhat broader than, the PCT rules would appear to eliminate the disparity between the practices.[34]

Conclusion

The best mode requirement of the first paragraph of 35 USC 112 is central to the bargain between the American public and the inventor under U.S. patent law. As discussed herein, this bargain between the public and the inventor has a rich heritage; it is a bargain that provides a benefit to the public in that it avoids "concealment" by the inventor of the best way of practicing his invention. U.S. law has developed to jealously guard the entitlement of the public to a complete disclosure and to obviate, as Judge Rich so aptly put it in In re Nelson, the "selfish desire to obtain patent protection without making a full disclosure". Modification of U.S. law to eliminate the best mode requirement would, therefore, cut at the heart of the basis for U.S. patent law in that it would make it acceptable for the inventor to withhold from the public that to which it is rightfully entitled. Surely, the United States should not be asked to emulate foreign practice at the expense of its basic values. Mr. Robert Rines, President of Franklin Pierce Law Center, expressed this point well when he said:

> While we currently witness efforts to harmonize and even unify basic objectives and practices of our world societies in many facets of human conduct, for such noble purposes as strengthening understanding and communication,

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35. See Takada et al., "Some Views on Harmonization of Patent Laws", presented at the 17th International Congress of PIPA, Kanazawa, Japan, November 5-7, 1986.

> and simplifying international intercourse, the fact remains that individual cultures do have legitimate values that are historically, emotionally and convictionally part of their birthright and very being, and that should not necessarily be sacrificed for the goals of international uniformity.[36]

United States values and culture aside, however, it is a fact that it would be not only the American public which would lose by an elimination of the best mode requirement, but so too the public in foreign countries. As mentioned above, U.S. law has for some time had a significant bearing on the disclosures made by foreign applicants when they have concern regarding coverage in the U.S. To remove the requirement for disclosure of the best mode would reduce the quality of patents everywhere, resulting in many patents with disclosures of "second best or lesser modes" and a concomitant proliferation of trade secrets which would not otherwise exist.

Thus, we must answer the question "Best mode: Do we need it?" with a resounding YES!. We all need it. U.S. law should not be changed. In fact, harmonization suggests that a change is in order elsewhere. EPC law should revert to the old British Law and should not follow the German approach. Japanese regulation Note 14(b) suggesting disclosure of the best mode should be the law, not merely a recommendation.

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36. 28 IDEA - Number 1, at page 5

# GRACE PERIOD: JAPANESE PATENT LAW SECTION 30

Presented at PIPA 18th Congress
Japanese Group, Committee No.1
Subcommittee No.3

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|---|---|
| HIROSHI KOISHIKAWA | DENKI KAGAKU KOGYO KABUSHIKI KAISHA |
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| TAKASHI SAWAI | NIPPON TELEGRAPH AND TELEPHONE CORPORATION |
| AKIO OKUMURA | FUJI PHOTO FILM CO., LTD. |
| Speaker: KENICHI OSONOE | Oki Electric Industry Co., Ltd. |

ABSTRACT

Section 30 of the Japanese patent Law sets forth an exceptional relief for an inventor. This relief is to prevent, in case of early disclosure of an invention under specific circumstances, the disadvantage of losing novelty of the invention by providing the inventor with a grace period for later filing of a patent application on the invention. Because of its nature of exceptional legal arrangements, this provision is applicable to very limited cases where statutory requirements are duly satisfied. The applicant has a burden of proof that the patent application is due under this provision. Section 30 specifically provides requirements for admissible applications and procedures for proof. The Japanese Patent Office poses, however, a strict attitude in applying the benefit of this provision.

## I. INTRODUCTION

The issue of the grace period is one of the agenda at the WIPO and the AIPPI as well as the trilaterel conferences between European, United States and Japanese Patent Offices in view of international harmonization of the patent system.

In Japan, the Grace Period is impliedly provided for in Section 30 of the Patent Law as an exception to Section 29 (1). Section 29 (1) provides that no patent shall be granted on an

invention which has lost novelty prior to filing of the patent application directed to the invention.

This Section 30 intends in nature to exceptionally relieve an inventor whose invention has lost novelty under certain circumstances. The purpose of legislation of Section 30 is different from that of 35USC102 (b) which provides a statutory bar under which the right to obtain a patent is deprived of. It may be difficult to grasp meanings of Section 30 by simple comparison with 102 (b).

This paper introduces the latest Japanese patent practice for the grace period within the meanings of Section 30 by referring to some Court and Board decisions.

## II. PURPOSE OF LEGISLATION OF SECTION 30

In principle, no patent shall be granted on an invention due to lack of novelty when it has been publicly known or used in Japan, or disclosed in a publication distributed in any countries, prior to filing of the patent application. (See Sec. 29 (1))

Under certain circumstances, however, strict application of this principle would become too harsh for an inventor and contradict the purport of the Patent Law which is to contribute to development of industry.

In Japan, for this reason, an invention which falls into Section 29 (1) by disclosure to the public is dealt with as if the invention had not lost the novelty when the disclosure satisfies some specified requirements and when an patent application directed to the invention is field within a prescribed period from the date of disclosure.

It is believed that this legislation is to balance interests between inventors and the public.

## III. PUBLIC DISCLOSURE SUBJECT TO SECTION 30

The public disclosure subject to Section 30 of the Patent Law is limited to those resulting from the following acts of a person having the right to obtain a patent (hereinafter refered to as an Inventor).

### A. To conduct an experiment

The "experiment" referred to in this section is limited to one for confirming the technical effects of a completed invention. Those intended for advertisement and sale of the product for which an invention is embodied not fall under the category of the "experiment" in this Section [1].

1) Board decision No. 46-3646, Feb.17,1976.

### B. To disclose in a publication:

The "publication" referred to in this Section includes reproductions (including copies) of documents, drawings, photographs and the like which are prepared for disclosure.

Further, the "disclosure" referred to in this Section means the act of disclosure with an affirmative intention by an Inventor.

To disclose an invention in the official publication issued by domestic or foreign Patent Offices does not fall under the category of the "disclosure" in this Section because of lack of the affirmative intention.

Although, in the past practice of the Patent Office, the invention disclosed in the offial publication issued by a foreign patent Office had been deemed subject to this Section, that practice was changed by a decision of the Board of Appeals of the Patent Office on August 8, 1974. Since then, the Japanese Patent Office has been maintaining the present practice, which has also being affirmed by the Tokyo High Court [3].

Accordingly, any person can not obtain a patent right on an invention after the invention has been made public by domestic or foreign Patent Offices.

| Decision No. | Date of decision | Publications to which this section was deemed not applicable |
|---|---|---|
| 2) Board of Appeal | | |
| No. 44-1138 | Aug. 8,1974 | U.S.P. No.3,195,353 |
| No. 46-4762 | Feb. 22,1979 | U.S.P. No.3,328,795 |
| No. 54-4123 | Aug. 2,1980 | W. German Laid-open patent Publication No.21 27 023 |
| No. 49-5251 | Apr. 11,1979 | W. German patent Publication No. 1245689 |
| 3) Tokyo High Court | | |
| 1981(Gyo-ke) No.22 | Jun. 22,1982 | U.S.P. No. 3,602,625 |
| 1984(Gyo-ke) No.285 | May 29,1986 | Japanese Laid-open patent Publication No. 50-142558; Dutch Laid-open patent Publication No. 7504653; W. German Laid-open patent publication No. 2419970 |
| 1986(Gyo-ke) No.107 | Jun. 30,1987 | U.S.P. No. 3,843,050 |

C. To make presentation in writing at a study meeting held by a designated scientific organization:

1. Scientific organization:

Limited to those designated by the Director-General of the Patent Office. In case of disclosing an invention in Japan, it is desirable to confirm whether or not the organization is so designated. (Board decision No. 55-10761, Nov. 12, 1985)

To receive such designation, a scientific organization is requested to file an application to

the Patent Office in accordance with Section 19 of the Patent law Enforcement Rules. (As of June 20, 1987, a total of 246 organizations were designated as such.)

2. Study meeting:
Organized or coorganized by a designated scientific organizations for the purpose of making presentation of the results of researches.

3. Presentation:
Limited to those made on the bases of documents. These documents may be manuscripts themselves (e.g., slides, wall charts etc.) but they must include descriptions of matters (given in claims) indispensable for the constituents of the invention. (Board decision No. 42-6320, Feb. 13, 1973)

D. To have the invention made public against the will of the Inventor:

The term "will" referred to in this section is deemed as the will of the Inventor that the invention should not be made public until the patent application regarding the invention is filed. In an event the invention is made public against the will, the applicant can enjoy the benefit of this Section.

The acts against the will are examplified with those accompanied by a threat, spying or fraud. Such acts would also fall into the same category as the disclosure of an invention to the public without permission of the Inventor by a third person being under an obligation to the Inventor to keep the secrecy of the invention.

As to whether or not this section shuld be applied to the case wherein an invention is made public due to an inadvertence of the applicant, the Tokyo High court held that "it is not appropriate to conclude that the careless act does not

constitute the act against the will "(1966 (Gyo-ke) No. 175 (Apr. 26,1972)). Further the Court held that "although the failure to call special attention must bare blame being hasty, it can not immediately be said, on the ground that the act was not done against the will of . . ." (1980 (Gyo-ke) No. 160 (Oct. 28,1981)). In either of the above cases, the court accepts the application of this Section in the case in question.

However, there were Board decisions [4] that denined the application of this Section to the patent application which was made public due to carelessness, on the ground that the proof of the will that the invention must not have been made public is insufficient.

Further, public disclosure of an invention in the official publication issued by domestic on foreign patent Offices does not fall within the meanings of "to be made public against the will of the Inventor". [5]

4) Board decision Nos. 41-4241 (Nov.30,1978); 46-1840 (Apr.6,1974) and 48-3265 (Jan.10,1980)

5) Board decision No. 47-5206 (Jul.27,1977)
U.S.P. 3,250,571
Tokyo High Court, 1967 (Gyo-ke) No. 7 (Nov.21,1967)

E. To make an exhibit

1. Exhibitions held in Japan

(1) Exhibitions held by the Government (government or local public entities);
Limited to those organized or coorganized (but not including assistance) by the Government.

(2) Exhibitions held by organizations other than the Government:
Limited to those designated by the director-general of the patent Office.

To receive such designation, a person who holds an exhibition is requested to file an application to the Patent Office in accordance with Section 22 bis of the Patent Law Enforcement Rules.

2. Exhibitions held outside Japan

(1) An international exhibition held in the teritory of member countries to the Paris Convention by its government or a person authorized thereby: Stipulated in compliance with Section 11 of the Paris Convention.

(2) An international exhibition held in a teritory other than member countries to the Paris Convention:
Limited to those designated by the Director-General of the Patent Office.

## IV. GRACE PERIOD

The grace period from the date on which the invention first fell under the Section 29 (1) to the date of filing the patent application must be within 6 months.

The passage reading "the date on which the invention first fell under. . "is construed to be the date on which the invention has been made public.

In an event an invention was disclosed by document, which was distributed to public as a preliminary paper for a study meeting prior to making presentation at the study meeting, the grace period is reckoned from the date of distribution of the document. [6] Where an invention was publicly disclosed several times, the grace period is reckoned from the date of the first public disclosure [7].

Further, the passage reading "the date of filing of the patent application" means the date on which the patent application was filed with the Japanese Patent Office, even though the application was filed claiming the conventional priority in accordance with Section 4 of the paris Convention.

The Section 4B of the Paris convention provides that the patent application filed in the second country shall not be invalidated due to any acts accomplished during the period of the conventional priority. The public disclosure of an invention prior to filing date in the first country is not the acts accomplished during the above mentioned period. Therefore, the date of filing in second country, i.e. Japan, is deemed as "the filing date of the patent apprication" referred to in this Section.

Accordingly, it should be noted that where the invention is publicly disclosed before the date of the conventional priority, this section is not applied unless a patent application regarding the invention is filed with the Japanese Patent Office within 6 months from the date of disclosure of the invention irrespective of whether or not the patent application is made by claiming the conventional priority. When the invention is publicly disclosed during the period from the date of filing in the first country to that in the second country, the application of this section is not necessary since the novelty of the invention has not been lost due to the effect of the priority right. [6)]

6) Board decision No. 43-2427 (Apr. 1,1970)
7) Board decision No. 40-5423 (May 7,1970)
Board decision No. 56-2240 (Apr.10,1986)

V. PRESCRIBED PROCEDURES

In order to enjoy the benefit of Subsection (1) or (3) of this Section, the following procedures must be taken in accordance with in Subsection (4) of this Section.

In case of "the public disclosure against the will" as provided for in Subsection (2) of this Section, different procedures may be taken because it is considered that there are many cases where the Inventor has no knowledge of the fact of the public disclosure of the invention at the time of filing the patent application relating to the invention.

There was an appeal decision [8] which held that, where the Inventor neglected to take the procedures while he knew or ought to have known the public disclosure of the invention, the application made by such person should not be remedied as falling within the category of the "public disclosure". It is considered desirable for one to take the procedures of this Section as soon as he comes to know that the invention has been publicly disclosed.

1. Written statement requesting the application of this Section:

The above statement shall be filed together with the patent application either under separate cover or in the request form for patent application.

At the time of filing a conversion application from a patent application to a utility model application (Section 8 of the Utility Model Law) or vice versa, the written statement must be re-submitted. [9] This is because the conversion application is deemed be independent of the original application and thus, the effects of procedures taken for the original application are not transferred to the new conversion application. Further, in the case of a divisional application, it is also necessary to submit the same statement at the time of filing of the divisional application for the same reasons.

2. Certificate

A certificate which proves that the provisions of Subsection (1) or (3) of this Section are applicable to the invention, must be submitted within 30 days [10] from the date of filing the patent application.

The above certificate must be a written evidence [11] sufficient to convince the examiner that this Section is applicable to the public disclosure of the invention and that the disclosure was made within 6 months prior to the date of filing the application (See the Manual of Patent Examining Procedure 10.32A). Although the form of the certificate is not specified it must be clearly prepared in accordance with the MPEP (See 10.33A-37A).

Among items of the certificate, one that requires the utmost care is that the public disclosure of the claimed invention has to be proved by supporting evidences. In an event such proof is insufficient, the application of this Section is not allowed. [12]

Further, where the invention is publicly disclosed by a plurality of times, it is necessary to take procedures for all of the disclosures. When such disclosures are in close and inseparable relationships with one another (for example, the relationship between a presentation and its documentation at a study meeting) and a certificate of the first public disclosure is submitted, the submission of certificates concerning the second disclosure and downward may be omitted. (See the MPEP 10.38A)

Under the Law revised in 1985, in case of an international patent application in a foreign language filed in compliance with PCT, the written statement and certificate may be submitted within 30 days after a lapse of the period during which a translation of the patent application is required to be submitted (18 months from the date of priority), or after the date of filing a request for examination during that period. (Section 184 undecies-bis of patent Law),

Under the old law, an international patent application was dealt with in the same manner as a domestic patent application and thus the application of this Section was practically difficult. Upon the amendment of the rules of PCT (Rule 51 bis

of PCT) at the general meeting of PCT in 1984, this Section was established. As a result, it is considered that the application of this Section to an international patent application has become eased.

8) Board decision No. 41-4241 (Nov.30,1978)
9) Tokyo High Court, 1978 (Gyo-ke) No.130 (May 20,1980)
Tokyo High Court, 1980 (Gyo-ke) No.105 (Jan.22,1981)
10) Board decision No. 44-1988 (Oct.15,1975)
11) Board decision No. 44-2690 (Nov.30,1973)
12) Board decision No. 42-6320 (Feb.13,1973)
Board decision No. 44-1988 (Oct.15,1975)
Board decision No. 45-4540 (Mar.15,1974)
13) Board decision No. 49-1835 (Apr.11,1979)

## VI. THE IMPORTANT POINT IN APPLYING THIS SECTION

### A. Discloser

This Section admits exceptions to the lack of novelty of an invention only where the discloser of the invention is a person having the right to obtain a patent or a person who disclosed the invention against the will of such person.

In the patent Office Practice, the discloser is deemed to be principally identical with the applicant or inventor. Othewise, the applicant is required to prove, with a certificate, that "the discloser had the right to obtain a patent at the time when the invention was disclosed to the public". (See the MPEP 10.33A). When a discloser is partially identical with the inventors, the applicant is required to submit [14] a document describing the relationship between the discloser and inventor. (See the MPEP 10.45A).

14) Board decision No. 46-9188 (Apr.10,1974)

### B. Acts of a third person between the date of disclosure of an invention by the Inventor and the date of filing a patent application relating to the invention:

This Section deems a novelty lacking invention to be novel only where the invention was publicly disclosed on a specific ground. It does not provide that the filing date shall be deemed to swear behind prior to the date when the novelty of the invention was lost. Accordingly, the invention becomes unpatentable by the following acts of a third person between the date of disclosure of the invention and the date of filing the patent application (hereinafter refered to as the grace period).

1. Public disclosure by a third person

If a third person has disclosed to the public the same invention during the grace period, the novelty of the invention shall be lost and the invention shall become unpatentable [15].

However, where it is apparent that the content of the publication (to which an Inventor requested the application of this Section) was disclosed or reprinted in another publication by a third person, the novelty of the invention shall not be denined [16] on such a ground.

2. Patent application by a third person

Once a third person has filed a patent application directed to the same invention (excluding a misappropriate invention) during the grace period, an invention claimed in a patent application filed by an Inventor shall be rejected on the ground of the patent application not being the first patent application and shall be held unpatentable. At the same time, the invention filed by the third person shall also be held unpatentable because of a lack of novelty since the invention had already been disclosed prior to the filing.

15) Board decision No. 50-2262 (Jun.15,1977)
16) Board decision No. 56-2240 (Apr.10,1986)

C. Public disclosures made by a plurality of times:

Where an Inventor disclosed an invention by a plurality of times, the patent Office had applied this Section to the disclosures only where they are in close and inseparable relationships with one another, until when the Board of Appeal on April 10, 1986 decided that the disclosures in the above case should not be limited only to those having close and inseparable relationships [17]. The Patent Office has changed its position since October 15, 1986 stating that were appropriate procedures taken for all the disclosures, the application of this Section to all of the disclosures shall be admitted".

17) Board decision No. 56-2240 (Apr.10,1986)

D. Publicly disclosed invention and Claimed invention

In order to enjoy the benefit of Section 30, an invention claimed in a patent application must be identical to a disclosed invention. Provided that the claimed invention is (A + a) and that the disclosed invention is A, this Section would not be applies. In this case, where the Claimed invention (A + a) lacks an inventive step in the light of the disclosed invention (A), the patent application derected to the Claimed invention has usually been rejected on the ground that it is obvious over the disclosed invention (A) in conformity with Section 29 (2) of the Patent Law. However, this position has long been criticized [18], [19] by industrial and academic circles.

18) Japan Patent Association, "Request Statement relating to Patent Law etc.", Patent Management Vol. 24, No. 12, P1341-1343, December, 1974
19) Yoshifuji K., Outline of patent Law, 7th Ed., P86-87, Yuhikaku, 1986

E. Invention made in U.S.A. and Application of Section 30 thereto

According to the first paragraph of 35 U.S.C. 184, no patent application relating to an invention made in the Unitd States shall be filed in any foreign countries untile after a lapse of 6 months from the date of filing a patent application with the USPTO except when authorized by a licene obtained from the Commissioner.

At the same time, Section 30 requires that an patent application directed to the invention must be filed with the Japanese Patent Office within 6 months from the date of its public disclosure (even when the patent application is made claiming priority in accordance with Section 4 of the Paris Convention, this Section is not applied since the public disclosure of the invention is not an interim fact taking place during the period of priority.)

It should be noted that where an invention made in the United States is disclosed to the Public before an patent application in respect of the invention is filed in the United States, the patent application must first be filed in the United States and after obtaining the licence provided for in 35 U.S.C. 184 and, further within 6 months from the date of disclosure of the invention, a corresponding Japanese patent application must be filed in Japan. Otherwise, the application of this Section to the Japanese patent application is not effected.

However, in case of an international patent application designating the United States and Japan in accordance with PCT, since the Patent application is deemed to have been filed in Japan on the international filing date and the prescribed procedures may be taken within 30 days after a lapse of 18 months at the maximum from the international filing date, if the international Patent application is filed within 6 months from the date of disclosure of the invention, this Section will be applied to such the patent application.

## VII. CONCLUSION

As will be clear from the foregoing description regarding the latest Japanese patent practice for the Grace Period, Section 30 prescribes the exceptions to the loss of novelty of an invention. The case where the public disclosure of the invention to be recognized as exceptions are extremely limited, and the judgment on whether or not this Section should be applied is practiced in an extremely strict manner. Further, even when there is a case to which this Section is applicable, a patent application made by a person having the right to obtain a patent may be rejected by the acts of a third person done during the grace period.

Accordingly, the public disclosure of an invention premised to make use of the provisions of this Section is not desirable in view of the management of the patent applications and patent application should be filed as soon as possible from the date of the disclosure of the invention.

Further, when an invention made in the United States is publicly disclosed prior to the filing of the patent application, it is advantageous for the applicant to file an international patent application with the USPTO by designating the United States and Japan.

This issue of the Grace Period has been and being discussed in various international organizations such as the WIPO, AIPPI and trilateral conferences between European, United States and Japanese Patent Offices as one of agenda of international harmonization of the patent system. For example, it is expected that the draft [20] (HE/CE/III/2, March 23, 1987) discussed in the WIPO's expert committee was proposed along with a line sharply relaxing the latest Japanese patent practice explained in this paper.

20)

| | Latest Japanese Patent Practice | WIPO's Draft (HL/CE/III/2, Mar. 23, 1987 |
|---|---|---|
| Grace Period | 6 months prior to filing date (See to Paragraphs IV and VIE) | Within 12 months prior filing or priority date |
| Discloser | (1) Person having the right to obtain a patent<br>(2) Third person having acquired the knowledge of an invention from a person having the right to obtain a patent and opened the invention to the public against the latter's will (See Paragraph VI.A of this paper) | (1) Inventor (including a natural or legal person having a right to patent)<br>(2) Third person having acquired the knowledge of the invention from the Inventor.<br>(3) Industrial Property Office who has put the invention in the official publication without the consent of the inventor |
| Disclosure | To conduct an experiment, disclose in a publication and make presentation at a study meeting etc. (See Paragraph III & VI of this paper) | To disclose by written or oral means, or by use or in any other way |
| Statement | Rquired to submit at the time of filing the patent application (See paragraph V of this paper) | Not requried to submit at the time of filing the application |
| Content of Disclosure | Complete disclosure of the invention claimed in the patent application (See Paragraph VI D of this paper) | No rejection of the invention due to its disclosure prior to filing the patent application |

APPENDIX

Section 30 of the Japanese Patent Law

(Exceptions to lack of novelty of invention)

30 - (1) In the case of an invention which has fallen under any of the paragraphs of Section 29 (1) by reason of the fact that the person having the right to obtain a patent has conducted an experiment, has made a presentation in a printed publication, or has made presentation in writing at a study meeting held by a scientific body designated by the Director - General of the Patent Office, such invention shall be deemed not to have fallen under any of the paragraphs referred to, provided that such person has filed a patent application within six months from the date on which the invention first fell under those paragraphs.

(2) In the case of an invention which has fallen under any of the paragraphs of Section 29 (1) against the will of the person having the right to obtain a patent, the preceding subsection shall also apply, provided that such person has filed a patent application within six months from the date on which the invention first fell under those paragraphs.

(3) In the case of an invention which has fallen under any of the paragraphs of Section 29 (1) by reason of the fact that the person having the right to obtain a patent has exhibited the invention at an exhibition held by the Government or by any local public entity (hereinafter referred to as the "Government etc.") or at one which is not held by the Government etc. but is designated by the Director - General of the Patent Office, or at an international exhibition held in the territory of a country party to the Paris Convention by its government etc. or by a person authorized thereby, or at an international exhibition held in the territory of a country not party to the Paris Convention by its government etc. or by a person authorized thereby where such country has been designated by the Director - General of the Patent Office, subsection (1) shall also apply, provided that the person having the right to obtain a patent has filed a patent application within six months from the date on which the invention first fell under those paragraphs.

(4) Any person who desires the application of subsection (1) or the preceding subsection with respect to an invention claimed in a patent application shall submit a written statement to that effect to the Director - General of the Patent Office simultaneously with the patent application. Within 30 days of the filing of the patent application, he shall also submit to the Director - General of the Patent Office a document proving that the invention claimed in the patent applicataion is an invention falling under subsection (1) or the Preceding subsection.

Pacific Industrial Property Association, 1987 Conference,
Baltimore, Maryland
September 30 - October 2, 1987

# Protection of Software

## A Worldwide Update

Victor Siber[1]

Today, computer programs, in all forms, regardless of the media in which they are fixed, are clearly protected by copyright law in many countries. (See, for example, Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240, 1251 [3rd Cir. 1983], cert. denied, 464 U.S. 1033 [1984]).

Beginning with some of the early cases in the United States dealing with copying of video game computer programs, the body of

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law with regard to protection of these literary works has grown substantially. Simultaneously, in this period of case law development, several countries around the world flirted with the possibility of adopting sui generis legislation to protect computer programs. These efforts reached their height when the World Intellectual Property Organization (WIPO) began considering the adoption of a model sui generis law and a treaty governing protection of software. As courts, legal experts, and governments began to understand (1) that computer programs are works of authorship, and (2) the nature of these works and the way that they are commercialized and used, it then became generally recognized that programs lend themselves particularly well to protection under existing copyright laws. This conclusion was finally accepted by WIPO in Report of the Committee of Experts on the Legal Protection of Computer Software, Geneva, June 1983, LPCS/11/6; and, Report of the Group of Experts on the copyright aspects of the Protection of Computer Software Session, March 1985, UNESCO/WIPO/GE/CCS/3.

Japan

A clear example of the deliberations and ultimate outcome of this controversy may be found in the legislative history, in Japan, leading up to the recent enactment of Law No. 62, Partial Amendment to The Copyright Law, of June 14, 1985, which became effective January 1, 1986. Under this amendment to Law No. 48

(Copyright Law of 1970), computer programs are now expressly protected as works of authorship. After long deliberation between ministries with differing views, the Ministry of International Trade and Industry (MITI) and the Ministry of Education (MOE), it was finally resolved that the sui generis approach for protecting computer programs is inappropriate and that copyright protection should be confirmed.

Many other countries have also recently amended their copyright laws to provide express statutory protection for this very important class of literary work. Today, fifteen countries have adopted specific legislation[2] while sixteen other countries[3] are in the process of considering legislation along similar lines. More specifically, in the Asia Pacific region, within the last three years, we have seen the confirmation of copyright protection for computer programs by amendment to copyright law in Australia, Japan, Republic of Korea, Singapore, Indonesia, the Republic of China and Malaysia. Also, there is similar pending legislation or recommendations for legislation in New Zealand, Thailand and the People's Republic of China.

[2]Australia, France, West Germany, Hungary, India, Japan, Philippines, Portugal, Republic of China, United Kingdom, U.S.A.

[3]Brazil, Canada Denmark, Finland, France, Ireland, Italy, Mexico, New Zealand, Norway, Peoples Republic of China, Spain, Sweden, Switzerland, Thailand.

Korea

A recent debate on this subject took place in the Republic of Korea. In the beginning of 1984, certain sectors of the Republic of Korea government, namely the Ministry of Science and Technology (MOST) began to explore the possibility of granting special rights for computer programs, or software. These ideas were formulated into a proposed draft law known as the Information Handling Industry Promotion Law which, suggested a five year term of protection for software. Although this draft law was never introduced for consideration to the Korean National Assembly, it did cause a substantial amount of debate within government and industry, both on a national and international scale.

The following year, the Ministry of Culture and Information (MOCI) proposed a draft of a new copyright law which was silent on the question of computer programs. While this bill made significant contributions to correct some deficiencies under the existing law, it also posed a number of new problems. In response to the serious objections raised to this bill, it was not enacted prior to conclusion of the legislative term, effectively killing the bill. The controversy over copyrights in computer programs as well as other works of authorship, particularly those of foreigners, continued to rage until September of 1985, when the United States Trade Representative decided to launch a Section

301 investigation. This investigation considered several intellectual property right issues including the lack of copyright protection for computer programs. Negotiations to reach resolution of these issues continued until July, 1986, at which time the United States and Korean governments jointly announced a settlement that included amendments to the existing copyright law. These amendments consist of two parts: 1) a general revision of the copyright law and 2) a special copyright law for the protection of computer programs as literary works. The general copyright law defines computer programs within the class of literary works and links specific protection of this property under new copyright legislation known as the Computer Program Protection Law. Both these laws became effective July 1, 1987 and the Republic of Korea is now in the process of accession to the Universal Copyright Convention.

Australia

Computer software in Australia is characterized as intellectual property. Legal protection is afforded to software mainly under the Copyright Act of 1968. Insofar as such software constitutes an original literary work, protection is afforded to it without the need for registration of any kind. The copyright owner or a person authorized by him will have an action for infringement if an unauthorized person seeks to reproduce the work in a material form or to publish or make an adaptation of the work without authority.

Litigation instituted by the Apple Computer Company in 1983 culminated in a decision by the High Court of Australia which concluded that object code programs were not literary works under the Act. By contrast, written source code programs were held to be literary works. Amendments were introduced to the Copyright Act to settle the matter even before the High Court Decision was handed down. In 1984 the Copyright Act was amended in a way which made it clear that computer software was included within the definition of the term "literary work". The definition has been expanded to include all levels of computer language.

Singapore

On January 26, 1987, Singapore enacted a new Copyright Law thereby repealing the United Kingdom Copyright Act 1911. With regard to the protection of computer programs, this new law borrows significantly from the Australian Copyright Law of 1984. Computer programs in all forms are protected under this law for a period of 50 years. Criminal penalties and civil remedies have been strengthened to the point that piratical activities have significantly diminished. U.S authors, at present, are in a preferred position vis-a-vis other foreign authors because of a bilateral agreement entered into between the U.S. and Singapore. While there is some hope that Singapore will at some point in time accede to the Berne Convention this is probably not likely to happen in the near future.

Indonesia

The most recent adherent nation to the principle of express copyright protection for computer programs is the Republic of Indonesia. Just three weeks ago, on September 9th, the Indonesian legislature passed an amendment to the present Copyright Act 1982 broadly enhancing copyright protection for national as well as foreign authors. Among the new rights is a specific provision protecting computer programs for a term of twenty-five years. Also, criminal penalties have been very significantly increased, up to a maximum fine of U.S.$60,000 and seven years imprisonment. In the short term, foreigners' rights will most likely be established through bilateral agreements while Indonesia is considering accession to the Berne Convention.

Malaysia

A new Copyright Law was passed by the Parliament in Malaysia in March of this year. The law fully protects computer programs as normal literary works. In addition, the Ministry of Justice has just established a new enforcement unit to deal with piracy problems. Malaysia appears inclined not to join an existing copyright treaty at this time but rather will negotiate bilateral agreements with its trading partners. As a result, the U.S. is engaged in negotiations of a U.S./Malaysia Copyright Agreement

Hong Kong

In Hong Kong, copyright protection laws are generally adequate. However, a certain amount of unauthorized copying and distribution of popular commercial applications software for personal computers does occur, and this has led copyright owners as well as local distributors of major international software developers and licensors to embark on a series of prosecutions. These have had an inhibiting effect on piracy. Government appointed bodies such as the Customs Authority are also taking action to strengthen the law.

A comprehensive review of the law of copyright applicable to computer software is being undertaken by the Law Reform Commission. It is expected that Hong Kong will adopt the United Kingdom Copyright Amendment Act of 1985, expressly protecting computer programs as literary works.

Now let us examine the present legislative status in some European countries.

Germany

In Germany, "programs for data processing" belong to "works of literature, science and art" according to Sec. 2, Par. 1, No. 1 of the Copyright Law, and the authors thereof enjoy copyright protection. A prerequisite for protection is that the work must constitute a "personal mental creation" of its author. That is, the author must have sufficient latitude for individual,

self-created possibilities of solution when he generates the software. In the view of the Federal Superior Court/Bundesgerichtshof - "BGH"/ (BGH, 9 May 1985, DB 1985, p. 2397), this prerequisite can in principle be fulfilled for software . However, the Federal Superior Court imposes high requirements on "personal mental creation" making copyright protection difficult for simple programs. At the present state of the law, there is still some confusion as to the requisite level of creativity. No doubt, further case law will clarify this.

United Kingdom

The basic approach in the United Kingdom law is to characterize computer software as an item subject to copyright protection (Amendment Act 1985).

The Copyright Amendment Act 1985, (i) clarified the position that software attracts copyright protection; (ii) enhanced the criminal remedies of the Copyright Act 1956 against piracy of computer programs; (iii) provided that a work created directly in a computer attracts copyright protection; and (iv) made it clear that storing a work in a computer is a form of reproduction.

France

In France, the law of July 3, 1985 confirms the trend of doctrinal opinion and previous courts decisions that computer

programs are protected by copyright. The law: (i) restricts the term of protection to 25 years; (ii) permits the international reciprocity; and (iii) adapts the copyright protection to the specific needs of software.

Now let us examine the status of the law in two countries in Latin America.

Brazil

Until the beginning of 1987, the legal status of software in Brazil was subject to an intense controversy. There was a strong trend to treat software as a type of intellectual property distinguished from copyrightable works, and therefore, deserving a specific sui generis legal treatment.

It appears that such trend is fading in the face of the undeniable fact that Brazil would be taking a unique position if a specific legal regime were adopted for software.

The Executive Branch of the Brazilian Government has recently taken the initiative of submitting to Congress a bill which provides that computer programs shall be protected by the provisions of the Copyright Law. This bill has been approved by the House of Representatives and is now under examination by the Federal Senate.

The bill establishes in its 2nd Article that:

> "The regime of protection to the intellectual property involving computer programs is that one set forth in Law No. 5988, of December 14, 1973 (The Copyright Law) with the modifications introduced by the present law aimed at attending to the peculiarities inherent to computer programs".

The modifications proposed by the bill with regard to the protection of computer programs do not alter the essence of copyright.

Copyright protection for computer programs, pursuant to this bill, lasts for 25 years. Violation of copyrights on software is defined as a crime punishable with imprisonment from 6 months to 2 years. The bill also provides civil and criminal actions in the event of such violations. The civil remedies provide for judicial seizure of the infringing material, recovery for losses and damages and injunctive relief.

Mexico

Mexico regulates the protection of an author's rights to computer programs that the author has created under the Federal Law of Author's Rights (the "FARL"). In practice, computer programs and software have been granted protection under the FARL because they are "analogous" to literary works. This practice continues today

pursuant to the publication of Resolution 114 of the Ministry of Public Education in the Official Gazette of Mexico on October 8, 1984. Resolution 114, which was the first official acknowledgement of an author's rights in computer programs provides that computer programs should be recorded in the Public Registry of Author's Rights.

Now turning to North America, let us focus on Canada and the United States.

Canada

The decision in Apple Computers, Inc. v. Mackintosh Computers Ltd, 10 C.P.R. (3d) 1, as well as numerous interlocutory court decisions, have held that copyright protection under the present Copyright Act extends to computer source code and to object code stored in ROM (read only memory) integrated circuits.

Draft amendments to the Copyright Act released by the Canadian government in May, 1987 would extend the definition of "literary work" protected by copyright to include a "computer program", and increase penalties for infringement, in some cases, to a fine of up to one million dollars and imprisonment for up to five years. Also, under the draft provisions, it would not be an infringement of copyright for the owner of a copy of a computer program to make modifications to the program or to make back-up copies of the original or modified program for his own use.

United States

It is now well-established that the protection afforded by U.S. copyright laws may be extended to computer software whether written in source code or in object code. (See Apple v. Franklin, supra). A recent case, Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.,[5] extended copyright protection for computer software even further. The Whelan case held that copyright protection of computer programs could extend beyond the object and source code of the program to the software's structure, sequence and organization. This case has been the subject of some recent debate and, the extent to which courts will follow the Whelan court's reasoning is still under development.

Complementary to the numerous activities on the legislative front, there have also been a number of recent judicial decisions supporting copyright protection in computer programs in fifteen countries[6]. Fortunately, as a result of both legislation and positive court decisions, the copyright law has embraced this new form of expression as an intellectual property that merits full protection, just like any other literary work.

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[5]797 F.2d 1222 (3d Cir. 1986), cert. denied, 55 U.S.L.W. 3473 (Jan. 12, 1987).

[6]Australia, Brazil, Canada, France, West Germany, Hong Kong, Hungary, Italy, Japan, Netherlands, Republic of China, Singapore, South Africa, United Kingdom, U.S.A.

# WHAT ACT CONSTITUTES THE USE OF A TRADEMARK?

## - A Commentary Centering on the TOTENKO Case -

Japanese Group, Committee No. 1
Trademark Sub Committee

Shigeru Miyayama, Asahi Chemical Industry Co., Ltd.
Sakuei Higuchi, Shin-Etsu Chemical Co., Ltd.
Masaharu Hashimoto, Toyota Motor Corporation
Kiyoshi Tanabe, Toshiba Corporation

Speaker: Akio Okumura, Fuji Photo Film Co., Ltd.

## I. Preliminary Remarks

With the recent sharp increase in the demand for the restaurant business and the development and nationwide expansion of the food industry, there has arisen a variety of problems not susceptible of solution under the coventional legal system. Namely, as a new phenomenon resulting from the developoment of the distribution economy, there has been a significant increase in the type of business wherein restaurants sell take-out foods to their customers while providing restaurant services as their principal business.

Under such circumstances, the limits and interactions of the effects of trademarks, service marks and tradenames have become the problem of present-day significance, especially because of the fact that in Japan it is still difficult to protect service marks in an effective and convenient manner.

Against this background this Committee has picked up as material for discussions the recent appellate court decision in the Totenko case rendered in connection with the use of a trademark and will discuss the apprpriateness of the decision and the effect and limit of a trademark right, making comparisons with past court decisions in similar cases and further discuss the system of service mark protection now under advisement in this country.

## II. The Totenko Case (decided by the Nagoya High Court on May 14, 1986)

### 1. Facts

(1) Plaintiff is the owner of a registered trademark "Totenko" (as shown in the exhibit attached hereto and hereinafter referred to as the "Trademark").

(2) Defendant has been engaged in the Chinese restaurant business since 1972 and incidentally to its main business, has been selling at its restaurant "gyoza (a fried dumpling stuffed with minced pork and vegetables" and "shao-mai" and other items of Chinese food (hereinafter the "Product").

(3) At least since April 1984, Defendant has been selling the Product contained in a paper package with a label imprinted with Mark I (as shown in the exhibit attached hereto) and at least since April

1984 las been distributing to its customers in its restaurant and other places promotional leaflets having Mark II (as shown in the exhibit attached hereto) printed thereon for the Product.

(4) Defendant erected an advertising tower in the image of a palace on the second floor portion of its restaurant, affixed thereto a plate showing the word "Totenko" as shown in the attached drawing (2), also put up a sign showing the word "Totenko" as shown in the attached drawing (1) and further affixed the words "Totenko Honten" (meaning Totenko's Main Restaurant) to the awning of the restaurant as shown in the attached drawing (3).

2. Plaintiff's Contentions

(1) To conduct advertisement by using the material bearing the trademark constitutes the use of the trademark. Defendant's use of Mark I and Mark II in its advertisement constitutes the use of Mark I and Mark II as trademarks.

(2) Both Mark I and Mark II are identical or confusingly similar to the Trademark.

(3) Therefore, Plaintiff demands the following reliefs on the basis of its right to the Trademark.

i) Discontinuance of the display and distribution of packages for processed foods having Mark I affixed thereto and promotional leaflets for processed foods having Mark II affixed thereto.

ii) Removal of the signboard and the plate as shown in the attached drawings (1) and (2) from the Defendant's restaurant building and elimination of the words "Totenko Honten" on the canopy portion as shown in the attached drawing (3).

3. Defendant's Contentions

(1) Most of the items of Chinese food sold by Defendant are served and consumed inside its restaurant and only a small portion of them are taken out by its customers as presents. Therefore, neither the use of Mark I on the package of the Product nor the use of Mark II on promotional leaflets nor the use of Mark I and Mark II on the signboard, etc. of the Defendant's restaurant constitutes the use of the Marks as trademarks. Such uses are nothing more than the use of the tradename of Defendant.

(2) Defendant has the right to use by virtue of prior use under Section 32 of the Trademark Law with respect to Mark I and Mark II.

4. Summary of the court order

(1) Defendant shall not display or distribute any package for processed foods which bears Mark I.

(2) Defendant shall not display or distribute any promotional leaflet for processed foods which bears Mark II.

(3) Defendant shall remove from its restaurant building the signboard bearing the word "Totenko" as shown in the attached drawing (1) and the plate bearing the word "Totenko" as shown in the attached drawing (2) and further eliminate the words "Totenko Honten" on the canopy as shown in the attached drawing (3).

5. Reason

(1) The acts of using a trademark as defined under Section 37, Item 1 of the Trademark Law are interpreted to refer to the acts of applying a distinctive mark showing the identity of a product to the product itself or to its package, assigning or delivering or displaying or importing for assignment or delivery such product or package, and displaying or distributing any advertisement, price list or other business document bearing said mark. Even the use of a tradename used by a merchant to identify himself should constitute the use of a trademark where such tradename is used as a distinguishing mark to show the identity of his product in any of the manners stated above.

(2) Defendant erected on the second floor portion of its restaurant building an advertising tower in the image of a palace, affixed thereto a plate bearing the word "Totenko" as shown in the attached drawing (2), put up a signboard bearing the word "Totenko"

as shown in the attached drawing (1) and affixed to the awning of its restaurant building the words "Totenko Honten" as shown in the attached drawing (3). In this fact situation, the words "Totenko" and "Totenko Honten" are properly considered to be performing a function as distinguishing marks showing the identity of the Product as long as Defendant sells the Product in its restaurant.

(3) As of the date of filing an application for registration of the Trademark, Mark I and Mark II had been used for the Product only for less than three years, the business scale of Defendant was small and particularly the sales volume of the Product was extremely small. In view of these facts, it cannot be said that the above two Marks had been widely known to consumers as the time of filing the application for the Trademark.

III. What acts constitute the use of a trademark?

1. The defintion under the Trademark Law

One of the issues discussed in this court decision is as to what act constitutes the use of a trademark. Item 3, Section 2 of the Trademark Law defines the use of a trademark as "acts of displaying or distributing advertisements, price lists or business papers relating to the goods on which a trademark has been applied". (Note 1)

In other words, not only the act of applying a trademark on the goods but also the act of using a trademark in advertisements or business papers (such as catalogs) relating to the goods is defined to constitute the use of a trademark. However, from the language of this definition, it is not clear specifically what acts constitute the use of a trademark in advertisements. Especially, opinions differ among legal scholars as to the use of a trademark on a signboard or similar material. If a third person commits any of the foregoing acts with respect to a registered trademark, such act constitutes an infringement of the trademark right and the trademark owner will be entitled to demand a discontinuance of such use by the infringer and other remedies (see Sections 25, 36 and 37 of the Trademark Law). (Note 2) In other words, the use of a registered trademark owned by another person in an advertisement constitutes an infringement of the trademark right. There are some circumstances where the effect of a trademark right is restricted, such as Section 26 of the Trademark Law under which the effect of a trademark right will not extend to the use of one's own name in an ordinary manner. (Note 3) And such name includes a tradename.

2. The standards of judgement applied in this court decision

As stated in Paragraph 2 above, one of the issues discussed in this court decision is whether the use of a mark on an advertising tower or a signboard constitutes

the use of the mark as a trademark. The court decided that it does since the mark as used in such a way performed a function as a distinguishing mark to show the identity of the goods.

Addressing itself to the defense raised pursuant to Article 26 of the Trademark Law, the court held that the effect of the trademark right of Plaintiff validly extended to the use of the marks by Defendant. The reasons given by the court are that the marks used by Defendant were not entirely identical to its tradename, that even if it is an abbreviation of Defendant's tradename, a proof was lacking that it was well-known, that the marks used were in such a special style as to attract the attention of general consumers and that therefore it could not be said that the marks were used as a tradename in an ordinary manner.

3. Related cases

Two of the related cases in which the issue was whether a use of a mark on an advertising tower or a signboard constituted the use of the mark as a trademark were the Mr. San-Ai case (decided by the Osaka District Court on March 4, 1977) and the Jugoya case (decided by the Nagoya District Court on January 31, 1983). Both cases held that the use of a mark on an advertising tower and a signboard constituted a use as a trademark. The reason given by the courts was that when a mark is used in such a manner as to

perform a specific distinguishing function for goods, such use is "a form of the act of using a trademark in advertisements" as defined under Section 2 of the Trademark Law.

In the Yamagataya Nori case (decided by the Tokyo District Court on June 16, 1982) and the Keiei Kindaika case (decided by the Tokyo District Court on May 27, 1981), the issue was whether the use of a mark on a signboard was the use of one's own name or a well-known abbreviation thereof to which the effect of a trademark right could not extend as provided by Section 26 of the Trademark Law. In the former case, it was held that even one's own name was subject to the trademark right of another person when the name was shown in large letters and used in such a manner as to attract the attention of consumers (in other words, the use of the name did not fall within the provisions of Article 26 of the Trademark Law). In the latter case, the court held that the name was not subject to the trademark right of another (namely, the use of the name fell within the provisions of Article 26 of the Trademark Law) because it was used in the colophon of a book and was thus found to have been used in an ordinary manner.

From the above-cited court decisions, it can be concluded that:

(1) If the mark used on an advertising tower or a signboard performs a distinguishing function for a particular product, it is a use as a trademark.

(2) One's own tradename is not subject to the trademark right of another unless it is abbreviated or shown in a special letter style.

IV. Requirements for the right to use a trademark by virtue of prior use

1. The definition under the Trademark Law

Another issue discussed in the present court decision was whether there was the right to use a registered trademark of another person by virtue of its prior use. Under the trademark system of this country, a trademark right is created normally by registration of a trademark. One exception is Article 32 of the Trademark Law, under which a certain protection is given to an unregistered trademark already in use. Section 32 of the Trademark Law (Note 4) recognizes such right to use another's registered trademark by virtue of its prior use where, prior to the filing of an application for the registered trademark of the third person, one's trademark had become well-known among consumers as identifying the goods to which one's business relates. If a mark is used only in a lmited area, it cannot be said to be well-know. In such case, use of one's trademark prior to another person's filing of an application for registration of the mark would not give rise to the right to use a trademark by virtue of prior use.

2. Standards of judgement applied in the present court decision

In the present court decision, it was held that the trademark had not become well-known and as a result there accrued no right to use another's registered trademark by virtue of its prior use, taking into account the scale of Defendant's business and the duration of use of the marks. Defendant operated only one small restaurant in Nagoya and its business was limited to that area. Defendant's sales of the food items in question were very small. Under those circumstances, it was found by the court that Defendant's mark could not have become well-known.

3. Related case

One of the cases involving this issue is the DCC case (decided by the Fukuyama division of the Hiroshima District Court on September 30, 1982). In this case, Defendant sold coffee beans in the entire area of Hiroshima Prefecture and in its neighboring areas. The court did not recognize the right to use by virtue of prior use, requiring that for such right to exist the mark be well-known to consumers not only in one Prefecture and its neighboring areas but also in substantially broader areas in view of the fact that coffee beans by their own nature are sold on a nationwide basis.

V. Conclusions

1. Reasonableness of this court decision

This court decision found the use of the tradename on packages, promotional leaflets and signboard to be its use as a trademark and ordered that the tradename be removed. However, the principal business of Defendant is to provide services in its restaurant and it cannot be said that its tradename used in its business performs an identifying function for the Product. The court held that because Defendant sold some take-out foods as a business incidental to its restaurant business, Defendant's use of the word "Totenko" on the signboard, etc. was a use as a trademark and ordered a removal of the word from Defendant's restaurant building and signboard. However, we feel that such conclusion is hard to Defendant since it will deprive Defendant of its good will built up by it using the word "Totenko" as a mark identifying its business over a long period of time. In view of the nature of the Product, this Committee believes that the court should have prohibited only the affixation of the word "Totenko" to the Product or its packaging and that it should not have extended the trademark right of Plaintiff to the use of the word "Totenko" (in promotional leaflets and signboards) as a mark to identify Defendant's restaurant business.

2. Relation with the service mark system

At present we have the Unfair Competition Prevention Law to protect service marks. However, because of the usual difficulty of proving the well-knownness of a service mark as a prerequisite to its protection, it is considered that a registration system for service marks is necessary for a more satisfactory protection of service marks. The possibility of establishing such registration system is still being studied and groped for. In the present court case, such a strained interpretation as to extend the effects of a trademark right to the domain of services would not have been necessary if a registration system for service marks had been established. Furthermore, numerous new types of service business are expected to be created as the distribution industry continues to expand and the court will be increasingly forced to interpret and apply laws to novel situations brought about by such expansion. It is therefore strongly hoped that a registration system for service marks will be established as early as possible for the prevention and resolution of disputes involving service marks.

Under such circumstances, Japan has decided to introduce a registration system for service marks in the future although what its final form will be has not yet been clearly shown. For a fully effective protection of service marks there are many factors to be taken into consideration in shaping the new system. Following are some of the important factors to be considered:

(1) Defintion of "service":

o Will it be limited so services as a business or will it also include free services?

o Will it also include services incidental to the manufacture and sale of the goods?

(2) Definition of "service mark":

o Will it be limited to a word, device or symbol or a combination thereof or will it also include a three dimensional or acoustic presentation?

(3) Cross-search with trademarks:

o Will a cross-search with trademarks be conducted where there is likelihood of confusion between services and goods?

(4) Extent of service mark right:

o Will it be effective throughout the country or will it be limited to a certain area or areas or to the particular area where the mark is used?

(5) Right to use by virtue of prior use:

o Will such right to use be given to a person who was using the service mark since before the filing of an application for registration thereof by another party? If it will, must the service mark be well-known?

(6) Transitional provisions:

o Will a priority filing date (priority in registration) be given to a person who has been using the mark in good faith since before the effective date of the law?

(7) Designation of service:

o It is expected that like in the case of trademarks, some form of classification of services (international classification, domestic classification, etc.) may be adopted. Will a general designation of services be permitted or will the designation be limited to those services for which the particular service mark is being actually used?

(8) Form of legislation:

o Will a separate law for the protection of service marks be enacted or will only the Trademark Law and the Unfair Competition Prevention Law be partly amended for this purpose?

There may be various other problems to be solved than those listed above. In any event it will be important in formulating a registration system for service marks to fully study the situations in foreign countries which already have the service mark system and to ensure that there will be no serious confusions or disputes due to the introduction of the new system.

Notes

1.

Section 2 of Trademark Law

(1) "Trademark " in this Law means the characters, figures or signs or any combination thereof or any combination thereof and colors (hereinafter referred to as a "mark" which are used on goods by a person who produces, processes, certifies or assigns such goods in the course of trade.

(2) "Registered trademark" in this Law means a trademark for which a trademark registration has been effected.

(3) "Use" with respect to a mark in this Law means any of the following acts:

(i) acts of applying the mark on the goods or their packaging;

(ii) acts of assigning, delivering, displaying for the purpose of assignment or delivery, or importing, the goods on which or on the packaging of which a mark has been applied;

(iii) acts of displaying or distributing advertisements, price lists or business papers relating to the goods on which a mark has been applied.

2.

Section 25 of Trademark Law

The owner of a trademark right shall have an exclusive right to use the registered trademark with respect to the designated goods. However, where the trademark right is subject to a right of exclusive use, this provision shall not apply to the extent that the owner of that right has an exclusive right to use the registered trademark.

Section 36 of Trademark Law

(1) The owner of a trademark right or of a right of exclusive use may require a person who is infringing or is likely to infringe the trademark right or right of exclusive use to discontinue or refrain from such infringement.

(2) The owner of a trademark right or a right of exclusive use who is acting under the preceding subsection may demand the destruction of the articles by which the act of infringement was committed, the removal of the facilities used for the act of infringement, or other measures necessary to prevent the infringement.

Section 37 of Trademark Law

The following acts shall be deemed to be an infringement of a trademark right or of a right of exclusive use:

(i) acts of using a trademark similar to the registered trademark on the designated goods or of using the registered trademark or a similar trademark on goods similar to the designated goods;

(ii) acts of holding, for the purpose of assignment or delivery, of the designated goods or similar goods on which or on the packaging of which the registered trademark or a similar trademark has been applied;

(iii) acts of holding of articles bearing a reproduction of the registered trademark or a similar trademark for the purpose of using such trademark on the designated goods or similar goods;

(iv) acts of assigning or delivering, or holding for the purpose of assignment or asignment or delivery, of articles bearing a reproduction of the registered trademark or a similar trademark for the purpose of causing such trademark to be used on the designated goods or similar goods;

(v) acts of manufacturing or importing of articles bearing a reproduction of the registered trademark or a similar trademark for the purpose of using such trademark, or causing it to be used, on the designated goods or similar goods;

(vi) acts of manufacturing, assigning, delivering or importing, in the course of trade, of articles to be used exclusively for manufacturing articles bearing a reproduction of the registered trademark or a similar trademark.

3.

Section 26 of Trademark Law

(1) The effect of the trademark right shall not extend to the following trademarks:

(i) trademarks indicating, in a common way, one's own portrait, name, famous pseudonym, professional name or pen name, or a famous abbreviation thereof;

(ii) trademarks indicating, in a common way, the commen name, origin, place of sale, quality, raw materials, efficacy, use, quantity, shape or price of the designated goods concerned or goods similar thereto, or the method or time of manufacturing, processing or using such goods;

(iii) trademarks customarily used on the designated goods or goods similar thereto.

(2) Paragraph (i) of the preceding subsection shall not apply where, after registration of the establishment of the trademark right, one's own portrait, name, famous pseudonym, professional name or pen name, or a famous abbreviation thereof, has been used with the intention of violating the rules of fair competition.

4.

Section 32 of Trademark Law

(1)Where, from a time prior to the filing by another person of a trademark application and without any intention of violating the rules of fair competition, a person has been using in Japan the trademark in the application or asimilar trademark on the designated goods in the application, or on similar goods, and, as a result , the tradmark has become well well known among consumers as indicating the goods as being connected with his business at the time of filing of the trademark application, such person shall have a right to use the trademark on the said goods provided that he does so continuously. The same shall apply in the case of aperson who has succeeded to the business concerned.

(2) The owner of the trademark right or of a right of exclusive use may request the person having a right to use the trademark under the preceding subsection to mark his goods with a suitable indication so as to prevent any confusion betwen the goods connected with the owner's business and those connected with the other person's business.

Exhibit

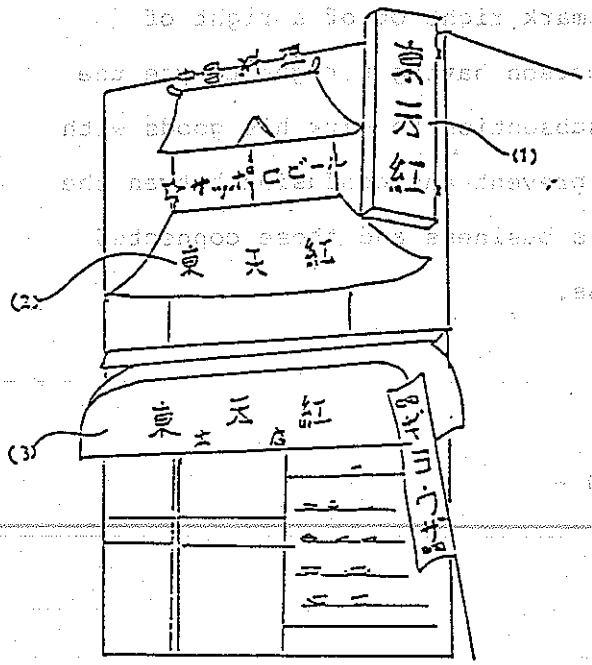
Mark I

東天紅

Mark II

東天紅本店

Drawing




Registration No. 600001

(October 29, 1962)

Publication No. 1962-10943

(March 29, 1962)

Application No. 1961-10990

(April 17, 1962)

Class 32:

Meat, Eggs, Sea Foods,

Vegetables, Fruits,

Processed Foods

東天紅

# FINDING OF INVENTIVE STEP AND PRACTICES THEREOF

Japanese Group, Committee No.1
Subcommittee No.4

| | |
|---|---|
| YOSHIAKI MATSUI, | Mitsubishi Rayon Co., Ltd. |
| KOYA UEDA, | Fuji Heavy Industries, Ltd. |
| BUNSAKU ITO, | Ube Industries, Ltd. |
| KUNIO HIRABAYASHI, | Aisin Seiki Co., Ltd. |
| TOSHIHIKO AKIYAMA, | Mitsubishi Electric Corporation |
| KAZUHIKO OKADA, | Mitsubishi Chemical Industries, Ltd. |
| YOSHIHARU SAKAGUCHI, | Ebara Corporation |


## ABSTRACT

The inventive step of an invention should be determined fundamentally on the basis of the degree of difficulties solved by its inventor or inventors upon completion of the invention. This is, however, not easy work as a matter of fact. It is hence a routine practice to determine the inventive step of an invention in view of its objects, advantageous effects, etc.

The present paper outlines the current situation of determination of inventive step on the basis of recent judgements of the Tokyo High Court in which the inventive step was determined especially in view of advantageous effects out of factors generally taken into account in such a routine practice.

## [I] Constitutional aim of Section 29-(2) of the Patent Act (Inventive Step):

Regarding the inventive step of inventions, it is regulated in Section 29-(2) of the Patent Act to the effect that "where an invention could easily have been made on the basis of an invention or inventions referred to in subsection (1) (i.e., an invention or inventions known or worked publicly in Japan or described in a publication distributed in Japan or elsewhere), a patent shall not be granted for such an invention notwithstanding subsection (1)". The constitutional aim of this provision is to exclude inventions, which have novelty but lack inventive step, from patentable inventions, since grant of patents on such inventions does not contribute to the development of the industry which is the primary objective of the patent system but will prevent it on the

contrary.

[II] Standard employed generally for the determination of inventive step:

The inventive step of an invention is concerned with the degree of difficulties, which the inventor or inventors should have solved successfully for the completion of the invention. Theoretically, the process of completion of an invention should therefore be taken into primary consideration upon determination of its inventive step. It should hence be determined by the degree of the difficulties of the process whether the invention has sufficient inventive step or not.

As a practical matter, it is, however, not very easy to determine the degree of difficulties which an inventor or inventors had to overcome for the completion of an invention. Accordingly, it is usually practised by the Patent Office and Courts to determine the degree of difficulties solved for the completion of an invention, in other words, the inventive step of the invention in view of its objects and advantageous effects. According to a standard which is widely sdopted these days upon determination of the inventive step of an invention in view of its objects and/or advantageous effects, it is determined first of all whether the objects and/or advantageous effects could be easily expected by those skilled in the art in the light of the technical level at the time of its filing and the invention is then considered to have sufficient inventive step where the objects and/or advantageous effects are not found to be predictable easily but otherwise is considered to lack sufficient inventive step.

[III] Present situation of determination of inventive step:

From judgements delivered recently by the Tokyo High Court with respect to suits for the revocation of final rejections in trials, 16 cases have been selected as typical examples in which the inventive step was determined especially in view of advantageous effects out of factors generally taken into account in the above-mentioned routine practice. These

cases will next be classified into the following four types of inventions: (a) combination or substitution inventions; (b) inventions on different or limited use; (c) inventions on changes or limitations to numeral value, shape, arrangement, material, etc.; and (d) selection inventions, so as to show the current situation of determination of inventive step by the Tokyo High Court. Within the scope of the present investigation, there was no court case in which the inventive step of an invention of the type (b) was affirmed by the Court.

[III-1] Court cases in which the inventive step was affirmed as having brought about outstanding advantageous effects unpredictable by those skilled in the art:

(a) Combination or substitution inventions:

(1) Showa 53 Nen (Gyoke) No. 86 (CASE FOR ELECTROCONDUCTIVE PAPER) April 6, 1983

Although the first reference contains descriptions for electroconductive paper using a polymer of quarternary ammonium salt as an electrifying agent, it contains no descriptions for the use of a specific polymer of quarternary ammonium salt used in the present invention. Although the second reference contains descriptions for the specific polymer of quarternary ammonium salt used in the present invention, it lacks in the descriptions for the application use thereof.

In the present invention, a specific polymer of quarternary ammonium salt represented by the general formula is used as the electrifying agent, by which particular effects can be provided, for example, high conductivity, less variation in the conductivity due to the change of relative humidity, causing no undesirable odors or no change in the background color, which can not be obtained by the electroconductive paper as described in the first reference.

(2) Showa 56 Nen (GyoKe) No. 287 (CASE FOR LAMINATE)
September 27, 1984

Reference 1 describes a laminate comprising a layer composed of a nylon or acetic acid - vinyl type polymer and a layer composed of an ethylene/maleic anhydride type copolymer (random copolymer) and the reference 2 describes a laminate comprising a layer composed of a nylon and a layer composed of a polyolefinic graft copolymer. However, the inter-layer bondability in actual laminates is remarkably different depending on the combination of materials to be laminated. The present invention provides a remarkable effect capable of obtaining an excellent inter-layer bondability that can not be anticipated from the inventions described in the references (more than ten times of that in the Reference 1), by laminating a layer composed of an acetic acid vinyl type polymer and a layer composed of a polyolefinic graft copolymer.

(3) Showa 60 Nen (GyoKe) No. 13 (CASE FOR PERMANENT MAGNET)
March 25, 1987

Reference 1 describes an RC type sintered magnet material and Reference 2 describes a plastic magnet prepared by adding carbon as low friction material thereby improving the magnetic property due to the physical change of increasing the density of the magnet. However, the present invention concerns a sintered magnet in which the magnetic property is improved with no substantial change in the magnetic density by the chemical change of bonding carbon with other ingredient elements thereby forming a carbide and, accordingly, the present invention is different from the invention in Reference 2, in view of the purpose and the function and effect of adding carbon.

(4) Showa 54 Nen (Gyoke) No.72 (CASE FOR ANALOG CONTROLLER)
October 23, 1986

The controller of the cited reference is similar to the controller of the present invention provided that the integrator thereof is substituted by a direct current amplifier incorporating a parallel condenser. Whereas the controller of the present invention is an analog controller of a parallel feedback operation system incorporating a condenser in each of the input impedance circuit and feedback impedance circuit of the operational amplifier, the controller of the cited reference is merely a controller having a series connection of a differentiating circuit and an integrating circuit even if such a substitution is possible. In the controller of the present invention, only a charge corresponding to a deviation is stored in the condenser of the input impedance circuit in the manual control mode as well as in the automatic control mode. Therefore, the control operation is affected by nothing when the control mode is changed from the manual control mode to the automatic control mode. Furthermore, since no resistance is provided in the line interconnecting the mode selector switch and the operational amplifier, the analog controller of the present invention is capable of always executing highly responsive and accurate manual control operation.

(c) Inventions on changes or limitations to numeral value, shape, arrangement, material, etc:

(1) Showa 55 Nen (GyoKe) No. 76 (CASE FOR THE PRODUCTION PROCESS FOR ACICULAR PITCH COKES) March 29, 1985

The invention of the reference comprises adding aromatic petroleum ingredients to coal tar pitches to precipitate insoluble materials by reducing their viscosity and then removing the insoluble materials by filtration, distillation, centrifugal separation, whereas the present invention comprises adding petroleum type heavy oils to coal tar pitches to form insoluble precipitation products and then separating them by standing still, decantation, etc. Accordingly, the

present invention is different from the invention of the reference, in view of the purpose of using and the function of the additives and provides a remarkable effect capable of removing the insoluble materials with ease as compared with the method of the reference.

(2) Showa 56 Nen (Gyoke) No.80 (CASE FOR VIBRATION DETECTING AND MEASURING APPARATUS) November 17, 1983

The apparatus of the cited reference has a spherical detecting element magnetically attracted to the upper part of a detecting box, and the distance between the detecting element and a permanent magnet is adjusted to detect vibrations in the directions of three axes from the drop of the detecting element. However, this apparatus is unable to receive vibrations uniformly in all the directions through 360° in a horizontal plane, namely, the apparatus is not nondirectional in respect of the reception of vibrations in a horizontal plane.

On the other hand, the apparatus of the present invention employs a cylindrical detecting element, which is suspended in the detecting box by the agency of magnetism, and hence the apparatus is nondirectional.

Although nothing is stated in the specification of the present invention about the apparatus having nondirectional characteristics and nothing is stated in the claim about disposing a magnet at the center of the detecting element to provide the apparatus with nondirectional characteristics, it is obvious to those skilled in the art from the appended drawings and the description that the apparatus of the present invention is nondirectional and that the magnet needs to be disposed at the center of the detecting element to make the apparatus effective.

(3) Showa 57 Nen (Gyoke) No.275 (CASE FOR EXTRA-CLOSE-UP ZOOM LENS SYSTEM) February 24, 1987

In the invention of the cited reference, the zoom unit is

fixed and the master unit is movable, whereas, according to the present invention, the master unit is fixed and the zoom unit is movable. Thus, the invention of the cited reference and the present invention are different from each other in the movable unit, and are completely contrary to each other in respect of increasing or decreasing the interval between the zoom unit and the master unit.

It is a remarkable advantage of the zoom lens system of the present invention, that the length of the zoom lens system is small in the most frequently used ordinary taking operation and is formed in a compact construction.

Although the zoom lens system of the present invention has a disadvantage that the construction is complex and fragile, the zoom lens system has a significant advantage that the same is formed in a compact construction, which is must not be compared with the foregoing disadvantage unless the disadvantage is highly significant as compared with the advantage. Accordingly, the favorable evaluation of the advantage of the present invention is not affected at all by the disadvantage which is insignificant as compared with the advantage.

(d) Selection inventions:

(1) Showa 56 Nen (Gyoke) No. 281 (CASE FOR LAMINATE) February 28, 1984

The reference describes a lamiante in which a carboxyl-containing polyolefin (metal-containing copolymer) is present between a metal and an ethylenic polymer and shows the bonding strength for the case where the neutralization degree in the metal-containing copolymer is from 0 mol% to several tens mol% in the drawing based on the data with concrete numerical value.

However, it does not show a specific bonding strength within the range of the neutralization degree from 1 to 10 mol% as selected in the present invention based on data with

concrete numerical values and it describes, as a conclusion, that "the bondability is apparently reduced by neutralizing effective carboxyl groups".

While on the other hand, the present invention provides remarkable function and effect not anticipated by those skilled in the art that the bonding strength is remarkably improved by the selection of the above-mentioned neutralization degree in the metal-containing copolymer that is not described concretely in the reference.

| Neutralization degree (mol%) | 0 | 0.7 | 1.5 | 2.5 | 4.5 | 9.2 | 12.5 | 50 |
|---|---|---|---|---|---|---|---|---|
| Bonding strenth (Kg/1 cm) | 2.0 | 1.8 | 2.7 | 4.1 | 4.7 | 2.5 | 0.8 | 3 |

(2) Showa 59 Nen (Gyoke) No.54 (CASE FOR ELECTRIC CONTACT MATERIAL FOR AN AIR BREAK SWITCH) September 25, 1986

The electric contact material of the cited reference is manufactured through an internal oxidation process. The electric contact material contains silver as the main component, 0.5 to 6 percent in weight of one or more main oxides among $SnO_2$, ZnO and $In_2O_3$, and 0.1 to 2 percent in weight of one or more of auxiliary oxides among MgO, $Mn_3O_4$ and NiO, and the content of the oxides in total is 0.6 to 7 percent in weight.

On the other hand, the electric contact material of the present invention employs a specific system, namely, a silver/indium oxide/stannous oxide/manganese oxide, which is not stated concretely in the cited reference, among forty-nine combinations of the main oxides and auxiliary oxides stated in the cited reference, and the respective contents of the main oxides and the auxiliary oxides of the electric contact

material of the present invention are at least 9.7%. Therefore, the electric contact material of the present invention has excellent wear resistance, weld resistance, melt resistance and conductivity in high-current applications.

[III-2] Court cases in which the inventive step was negated as failing to bring about any advantageous effects beyond those predictable easily by those skilled in the art:

(a) Combination or substitution inventions:

(1) Showa 60 Nen (Gyoke) No. 53 (CASE FOR FLAME RETARDANT RESIN COMPOSITION) December 18, 1987

The present invention concerns a resin composition in which chlorinated polyethylene, tetrabromophenol-A and antimonium trioxide are blended each in a specified amount as flame retarding agents to a specific resin such as a blend of an emulsion polymerization ABS resin and a suspension polymerization AS resin, and the present invention can provide an impact shock resistant resin composition of favorable balance in the physical property and of highly flame retardancy.

However, Reference 1 describes that a high flame retardancy can be provided while maintaining the essential feature of a polyethylene resin by blending the same kind of the flame retarding agent as in the present invention also to the same extent as in the present invention with the polystyrene resin. Further, Reference 2 describes a flame retardant polystyrene resin in which a flame retarding agent similar to that in the present invention (chlorinated polyethylene, halogenated aliphatic hydrocarbon and antimonium oxide) to a rubber-modified polystyrene resin (including impact shock polystyrene and the resin according to the present invention). Furthermore, since it had been well-known prior to the filing of the present invention that

the blend resin according to the present invention had excellent physical property, it is considered that the present invention could have been attained with ease by those skilled in the art on the basis of References 1 and 2 and that the effect obtained thereby can not be said remarkable.

(2) Showa 60 Nen (GyoKe) No. 113 (CASE FOR NON SELF-COLOR DEVELOPING COPY PAPER) January 29, 1987

The present invention concerns a pressure-sensitive and heat-sensitive transfer paper with no self-color developing property containing "2-o-chloroanilino-6-dialkylfluoran as a black color developing reactive colorless substance.

However, the reference describes "2-p-chloroanilino-6-diethylfluoran" which is different from the reactive substance in the present invention only with respect to the position of the chloro substituents as the green color developing reactive colorless substance for pressure-sensitive transfer paper and, further, it also describes that various kinds of fluoran compounds develop various colors depending on the developers employed. Then, it had been known so far that the fluoran compounds develop different colors even if the structure is slightly different. In view of the above, it would be obvious to those skilled in the art to make undertake a constitution for obtaining black color developing pressure-sensitive and heat-sensitive transfer paper by transferring the position of the chloro substituent in the fluoran compound of the reference to the o-position as in the present invention and by properly selecting a color developer, and it may be said that neither the effect of the black color developing property and the non self-coloring property is particularly remarkable.

(3) Showa 59 Nen (Gyoke) No. 130 (CASE OF THROAT PLATE FOR AN OVERLOCK SEWING MACHINE) September 29, 1986

According to the present invention, a thread slide member is provided on a throat plate so as to be movable toward and

away from the side surface of a thread supporting member, whereas, in the invention of the cited reference 1, a thread slide member is disposed above a thread supporting member, and the thread slide member is provided on a presser member so as to be movable toward and away from the thread supporting member with respect to a cross-stitching direction. Thus, the present invention and the invention of the cited reference 1 are identical in arrangement except the disposition of the thread slide member.

The cited reference 2 discloses technical means in which a thread slide member is provided on the side surface of a thread supporting member on a throat plate, and the thread slide member is movable relative to the thread supporting member in all directions other than the cross-stitching direction.

Accordingly, constituting the throat plate of the present invention through the employment of the technical means of the cited references 1 and 2 instead of the well-known technical means in which the width of cross stitches is adjusted by varying the width of the thread slide member of an integral form can easily be made by those skilled in the art.

Furthermore, the technical means of the present invention, as well as well-known technical means, has advantages that the workpiece is not crumpled, the workpiece does not fluctuate vertically and the workpiece is supported in a flat position, and eliminates the disadvantages of the well-known technical means that changing the thread slide member requires a troublesome work, many thread slide members of minutely different widths and the associated parts must be reserved and indexing require a troublesome work. However, these advantageous effects of the present invention do not exceed the total effect of the well-known technical means and that of the cited reference 1, and are effects which can naturally be expected.

(4) Showa 59 Nen (Gyoke) No. 146 (CASE FOR PRINTING

APPARATUS) February 23, 1987

When the combination of cited references 2 and 3, and the present invention are compared in terms of the respective constitutions of the printing member, the printing member operating mechanism, the printing member shifting mechanism and the control mechanism for controlling the operation of the mechanisms among the five components of the dot printer, the difference between the combination of the cited references 2 and 3, and the present invention is only in employing either a recording pin (print wire) or a hammer as the printing member. Furthermore, since the cited reference 1 discloses a printing apparatus employing a hammer driven by an electromagnet, there is no difficulty in replacing the recording pin with a hammer. Accordingly, the present invention is deemed to have been made on the basis of a combination of the techniques disclosed in the cited references 1 to 3, and hence the effect thereof is of a level which can naturally be expected from the cited references 1 to 3.

(b) Inventions on different or limited use:

(1) Showa 58 Nen (Gyoke) No. 74 (CASE FOR LARGE-SCALED CAN FOR USE IN COPPER COMPOUND-CONTAINING LIQUID) July 30, 1985

The present invention concerns "a large scaled can for use in copper compound-containing liquid of a predetermined structure, in which a body portion and upper and lower plates are prepared from steel plates applied with copper plating layers on the surfaces corresponding to the inside of the can", and a safety can excellent in corrosion resistance against copper compound-containing liquid can be obtained according to the present invention.

However, since the reference describes the same structure of a can as that in the present invention, the copper plating had been well-known as a material excellent in corrosion resistance, workability and having extended industrial

application uses, and a can using surface treated plates applied with silver plating had been well-known, it can not be said that any particular difficulty is present in constituting a can not suffering from corrosion with the material to be contained by using steel plates applied with copper plate to the surface corresponding to the inside depending on the corrosive nature of material to be contained.

Furthermore, since it belongs to a common knowledge of inorganic chemistry that a metal is not corroded if it is immersed in a solution of a salt of the identical metal, it would be obvious to those skilled in the art to restrict the application use as "for use in a copper compound-containing liquid" and anticipate the effect obtained thereby.

(c) Inventions on changes or limitations to numeral value, shape, arrangement, material, etc.:

(1) Showa 42 Nen (Gyoke) No. 145 (CASE FOR CLEANING DEVICE FOR CLEANING A ROTARY CYLINDRICAL MEMBER FOR SUPPORTING A YARN FOR SPINNING MACHINES) March 18, 1971

This invention provides "a cleaning device comprising a scraping member disposed with one edge thereof in linear contact with a rotary cylindrical member (drafting roller) and with the surface of the other edge thereof located before the cylindrical member with respect to the direction of rotation of the cylindrical member intersecting a tangential plane including the line of contact between the former edge and the cylindrical member at an angle in the range of 20 to 50°".

A device similar to that of the present invention is disclosed in the cited reference. The device of the present invention differs to some extent from the device of the cited reference in that the scraping member of the present invention is formed of a comparatively hard material whereas the scraping member of the cited reference is formed of a comparatively soft material, and that the scraping member of the present invention is in contact with the cylindrical

member at a specific angle whereas nothing concerning the positional relation between the scraping member and the cylindrical member is stated in the cited reference.

However, the difference between the present invention and the cited reference in the structural flexibility of the scraping member is merely a matter of degree and is not an essential matter. Both the scraping member of the present invention and that of the cited reference are capable of scraping waste fibers off the cylindrical member (drafting roller) and hence there is no functional difference between the scraping member of the present invention and that of the cited reference. Nothing particular concerning the effect of limiting the intersecting angle to the range of 20 to 50° is stated in the specification of the present invention, and there is no evidence to prove a critical conception.

(d) Selection inventions:

(1) Showa 59 Nen (Gyoke) No.86 (CASE FOR OPTICAL SURVEYING APPARATUS) October 28, 1986

Stated in the cited reference is an optical surveying apparatus comprising two scale systems for the visual reading of measured values, illuminating means for illuminating the scales of the scale systems from behind the same to enable reading the scales, and an optical system for visual reading. However, nothing is mentioned about (1) the use of a light emitting diode which emits light in a narrow wavelength band selected from the spectrum of visible ray as a light source, (2) employment of a monochromatic lens in the reading optical system, and (3) means for adjusting time necessary for reading.

However, the possibility of substituting the lamp serving as a light source by a light emitting diode is mentioned in the cited reference, and it is publicly known that there are light emitting diodes which emit visible rays and other light emitting diodes which emit invisible rays. Accordingly, the

light emitting diode to be used instead of the lamp can be a light emitting diode which emits a visible ray. In the monochromatic optical system, the lens need not be cemented and hence the monochromatic optical system is inexpensive. However, it is a technical common knowledge to use a monochromatic optical system when monochromatic light is used as a light source, therefore the effect mentioned above is merely a well-known effect.

Furthermore, it is publicly known to provide a timer in a display driving circuit of an electronic computer and to disconnect the display unit from the power source in a predetermined time to reduce the power consumption of the display unit. The application of such means to stopping the luminance of the light source of the surveying device after a time necessary for reading the scale has elapsed is merely an idea which can be executed as occasion arises.

[IV] Conclusion:

Inventive step as stipulated under Section 29-(2) of the Patent Act is the most important judicial issue, on which hot dispute arises most often in suits before the Tokyo High Court for the revocation of decisions of trials. In a majority of the judgements of the Tokyo High Court studied, the determination of inventive step was effected not only by relying upon differences in constitution from prior art inventions under consideration but also by taking into parallel consideration differences in advantageous effects.

The court cases referred to above were chosen while pasying attention to avoid selection of too much cases from any particular one of the invention types or technical fields (chemical, mechanical or electrical). Irrespective of the type or technical field of an invention, the court has been found to rely upon the conventional standard that inventive step is affirmed where outstanding advantageous effects unpredictable by an artisan have been brought about even if it looks easy to complete the invention itself but inventive step

is negated where the invention has brought about nothing more than advantageous effects which are easily predictable by an artisan.

Any more specific standard for the determination of inventive step has not been found. Namely, there is actually no specific standard established to determine how much advantageous effects are required to consider them as being outstanding unpredictably by an artisan, because such a standard generally varies from one technical field to another and also changes as time goes on. The issue of inventive step is therefore determined case by case under the circumstances.

Reference may be had to appendices, which contains specific data of two court cases out of the cases in which the inventive step was affirmed as having brought about outstanding advantageous effects unpredictable by an artisan.

Attachment 1: [III-1]-(a)-(2) Showa 56 Nen (Gyoke) No. 287 (CASE FOR LAMINATE)

[Abstract of the Judgement]

Referring to Exhibit A No. 16 (report for the experiment) and according to the result of the experiment comparing the peeling strength (bonding strength) in the case of laminating the sheets comprising a graft copolymer prepared by copolymerizing maleic acid anhydride to an ethylene-ethyl acrylate random copolymer (ethyl acrylate unit content of 90% by weight) (maleic acid anhydride unit content of 0.9% by weight) and comprising an ethylene-maleic acid anhydride-ethyl acrylate random copolymer (ethyl acrylate unit content of 8.5% by weight and maleic acid anhydride unit content of 3.5% by weight) respectively to a sheet of a resin layer A (an ethylene-vinyl alcohol copolymer, with vinyl alcohol unit content of 70 mol%, that is, a saponification product of an ethylene-vinyl acetate copolymer), it is recognized that the peeling strength is 1365 g/cm for the maleic acid anhydride graft copolymer of the ethylene - ethyl acrylate random copolymer and 105 g/cm for the ethylene - maleic acid anhydride - ethyl acrylate random copolymer. According to this, it can be said that the former copolymer prepared by graft copolymerizing maleic acid anhydride (corresponding to the resin layer B according to the present invention) is remarkably excellent in view of the bonding strength over the resin layer A (the first layer in the first reference), as compared with the copolymer in which maleic acid anhydride is copolymerized at random (corresponding to the second layer of the first reference).

Attacment 2: [III-1]-(d)-(2) Showa 59 Nen (Gyoke) No.54 (CASE FOR ELECTRIC CONTACT MATERIAL FOR AIR BREAK SWITCHES)

[Excerpts from the patent publication of the present invention]

Embodiment 1

A material for test contacts (a) containing 85.7% wt. silver, 10% wt. indium, 0.3% wt. manganese and 4% wt. tin, and a material for test contacts (b) containing 88% wt. silver, 5% wt. indium, 2% wt. manganese and 5% wt. tin were melted, cast and rolled in plates each having a thickness of 1.5 mm. After oxidizing the plates in an oxygen atmosphere at 720°C for approximately 130 hours, sample pieces each having a size of 5 mm x 6 mm x 1.5 mm were cut out from the oxidized plates. Then, the sample pieces were attached to copper bases by brazing to provide test contacts. The test contacts were subjected to switching tests for resistance load at 100V AC and 30A on an ASTM type contact tester. Voltage drops across the test contacts including the copper bases after 10000 time of switching operation were 20 to 45 mV for the test contacts (a), and 25 to 50 mV for the test contacts (b). It was confirmed from the results of the switching tests that the respective conductivities of the test contacts are substantially the same as that of the conventional silver/cadmium oxide contacts.

Embodiment 2

A material containing 10% wt. indium, 0.06% wt. manganese, 6% wt. tin and the rest of silver was melted, cast and cold-rolled in a plate of 2 mm in thickness. The plate was subjected to internal oxidation in an oxygen atmosphere at 720°C for 200 hours. Sample pieces of 10 mm x 10 mm x 2 mm in size were cut out from the oxidized plate. The sample pieces were incorporated into an electromagnetic contactor of 60A

frame for contact performance tests. Test conditions were: voltage: 200V AC, current intensity: 370A, power factor: 0.5, and switching frequency: 180 times per hour. Test contacts formed of an internally oxidized material not containing tin (silver, 10% wt. indium, 0.06% wt. manganese) and test contacts formed of a conventional material (silver, 13% wt. cadmium oxide) were subjected also to the switching tests as controls. After switching 10000 times, the wear of the test contacts and voltage drop across the test contacts including the bases when a current of 150A AC was supplied were measured. The results of measurement are as follows.

| Test contacts | Wear | V-drop |
|---|---|---|
| (a) Silver/cadmium oxide | 500 mg | 105 mV |
| (b) Silver/indium oxide/manganese oxide | 340 mg | 115 mV |
| (c) Silver/indium oxide/manganese oxide/stannous oxide | 310 mg | 120 mV |

Embodiment 3

A material containing 83.9% wt. silver, 10% wt. indium, 0.1% wt. manganese and 10% wt. tin was melted, cast and rolled in a plate of 2 mm in thickness. The plate was subjected to internal oxidation in an oxygen atmosphere at 720°C for approximately 100 hours. Sample pieces of 5 mm x 6 mm x 2 mm in size were cut out from the internally oxidized plate, and then the sample pieces were attached to copper bases by brazing to form test contacts. The test contacts were subjected to circuit breaking tests. Test conditions were voltage: 200V AC, current intensity: 3000A and power factor: 0.4.

Test contacts formed of an alloy not containing tin (93.9% wt. silver, 6% wt. indium, 0.1% wt. manganese), those formed of an internally oxidized alloy not containing tin (94% wt. silver, 6% wt. indium) and those formed of the conventional silver/cadmium oxide material containing 13% wt. cadmium oxide were subjected also to the circuit breaking

tests as controls. Melt damages in the test contacts were examined after breaking the circuit twice. The test contacts formed of the internally oxidized alloy containing silver and indium (6% wt.) were melted seriously and the end portions thereof, in particular, were worn significantly.

The test contacts formed of the alloy containing manganese melted slightly. The test contacts formed of the conventional silver-cadmium oxide material containing 13% wt. cadmium oxide, and those formed of the material of the present invention containing tin were not damaged.

Embodiment 4

A material containing 86% wt. silver, 6% wt. indium, 2% wt. manganese and 6% wt. tin was melted, cast and rolled in a plate of 1.5 mm in thickness. Then, the plate was subjected internal oxidation in an oxygen atmosphere at 700°C for approximately 200 hours. Sample pieces of 5 mm x 6 mm x 1.5 mm in size were cut out from the internally oxidized plate, the sample pieces were attached to copper bases by brazing to form test contacts, and then the test contacts were subjected to weld force tests under test conditions: voltage: 220V AC 60 Hz, current intensity (crest) 200A, contact pressure: 500 g, resistance load, and current supply duration: 1.5 cycles. The weld force of the test contacts formed of the material of the present invention was as low as 100 g.

Test contacts formed of an internally oxidized material not containing tin (92% wt. silver, 6% wt. indium, 2% wt. manganese) and those formed of the conventional silver/cadmium oxide (13% wt. cadmium oxide) were subjected also to the weld force tests as controls. The measured weld force for the former was 450 g and that for the latter was 500 g.

The silver/indium oxide/manganese oxide/stennous oxide contacts of the present invention are used, similarly to the conventional silver/cadmium oxide contacts, are used in a current intensity of 100A or above. When incorporated into relays, no-fuse circuit breakers and air break switches of

medium to high current capacities, the contacts of the present invention exhibit excellent performance in wear resistance, weld resistance, melt resistance and conductivity, and compare favorably with the conventional contacts in cost.

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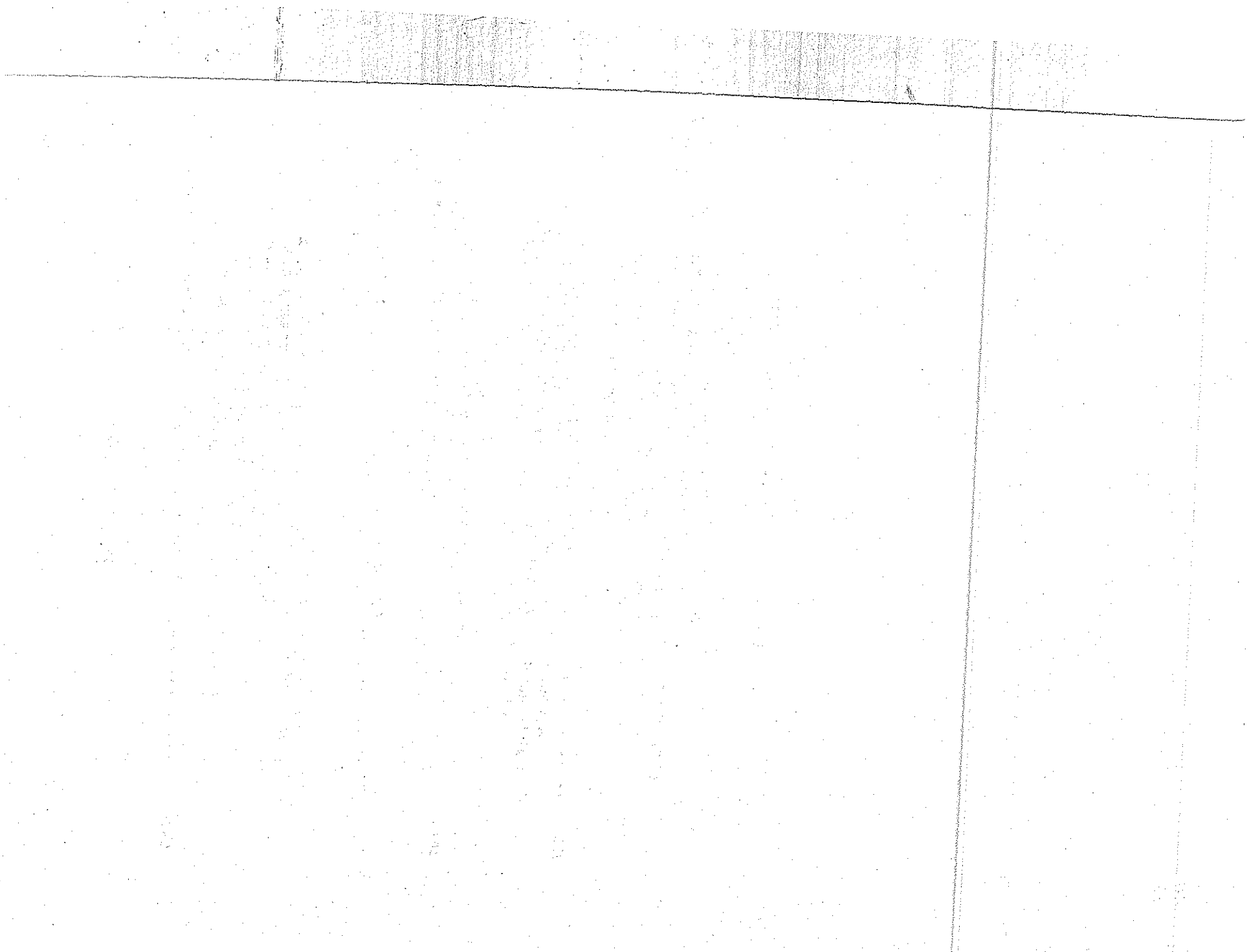
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# Matters Pertaining to Sponsored R&D Programs

Presented at PIPA 18th Congress
Japanese Group, Committee No. 2
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Abstract

The title to the technology developed under sponsored research and development programs and the consideration to be paid for the use of such technology are discussed in respect to cases in Japan where one of the parties is a government/public institution. Industrial property rights as the result of a sponsored R&D program belong to the government if R&D is performed under a contract with the government/public institution. There has been opened a way for the contractor to own such industrial property right jointly with the government, but the contractor must pay fees for the license to use the technology where the right is owned either solely by the government or jointly with the government. This is less advantageous for the contractor compared to the similar situation in the USA. This report also introduces the property rights pertaining to R&D programs performed by a research association, that is organized by private enterprises and subsidized by the government.

## 1: Introduction

With the increased sophistication and complexity of technology in recent years, it has become quite difficult for just one enterprise to manage whole research and development required. Under these conditions, sponsored R&D program is expected to increase in view of saving

costs of R&D activities. Especially in high technology R&D that involves too great a risk to be managed by a private enterprise, development is often carried out as a national project under the leadership of the government. Such development usually takes the form of sponsored R&D program. The title to the fruit of sponsored R&D and the compensation therefore are of great interest to the parties involved.

This paper discusses cases where one of the parties is a public body and compares how they are treated in Japan and in the USA.

The sponsored R&D consists of two phases; "sponsored R&D" which mainly aims at development of new technology, and "sponsored application of the development" which tries for practical application of the developed technology. This paper mainly focuses on the former phase.

## 2: Title to the fruits of entrusted technology development and the consideration for its use - Comparison of Japan and the USA

### 2-1: Current status of sponsored R&D contracts (Where the sponsor is a public institution and the contractor is a private enterprise)

#### 2-1-1: Mode of agreements and qualification of contractors

The sponsored R&D contract in Japan takes two modes; where the government or public organization entrusts R&D to a private enterprise and pay full expense under an agreement, and where the government pays a portion of the expense for R&D conducted by a group of private enterprises or research associations as a subsidy. In the former case, expense necessary for entrusted technology development is paid to the contractor as a "contract fee", while in the latter case, private enterprises form a research

association that receives a loan in the form of "subsidy". Although there is no need to repay "the contract fee", the title to all the results and the equipments used for development revert to the sponsor-government. In the case of research associations, all or a portion of the subsidy must be returned to the government, if profits accurue out of the research results. This report discusses the agreement of the "New Energy Development Organization (NEDO)*" and the "Integrated Research for Science & Technology**" as examples of the former case, and "Very Large Scale Integrated-Circuit (VLSI) Research & Development Association***" as an example of the latter case.

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* A special corporation established under the leadership of the Japanese Ministry of International Trade and Industry as a nucleus for integrally promoting R&D for alternate energy sources including liquified coal.

** Entrusted research by the Japanese Science & Technology Agency

*** An association established in 1961 under the Law concerning Research Associations for Mining/Manufacturing Industry. An association established by several industries for joint researches is qualified as a juridical body and given preferential measures under the tax laws. Therefore, the recognized research associations possess the competency to exercise rights such as filing patent applications in their names or retaining rights in their names. There are currently about 40 research associations that are active under this Law. "The VLSI Research & Development Association" is well known as an example where not only private enterprises but also researchers of the national research organs participate.

In order to become a contractor under the sponsored R&D or to become a constituent member of the research association, the following conditions must be satisfied.

° The enterprise owns a place of business in Japan.

° The enterprise is found to have no problems in its auditing procedures.

These conditions are imposed because of the need for auditing and confirmation by the sponsor of the optimum use of the government funds. Therefore, a subsidiary of a foreign enterprise is not disqualified as a contractor or a member of research association under the system.

2-1-2: Principle of Handling the Result

Handling of industrial property rights derived from the sponsored R&D is summarized in the table below.

(Handling of results of sponsored R&D)

| | NEDO (sponsor pays full cost) | Integrated Research for Science & Technogy (sponsor pays full cost) |
|---|---|---|
| 1: Title to industrial property rights | Government/public institution | Government/public institution |
| 2: Title to know-how | Government/public institution | Government/public institution |
| 3: Grant of license to contractor | License granted unless specifically inappropriate | License granted unless specifically inappropriate |
| 4: Royalties | Negotiable amount | Negotiable amount |
| 5: Granting of license to third parties | Determined by sponsor (contractor is obliged to offer technical assist-ance to licensee) | Determined by sponsor |

(Handling of results of the research association)

| | VLSI Research Association (Government pays 20%) |
|---|---|
| 1: Title to industrial property rights | Research Association |
| 2: Title to know-how | According to provisions of Research Association |
| 3: Granting of license to association members | License granted preferentially to association members |
| 4: Royalties | Company to which inventor belongs may obtain royalty-free license |
| 5: Granting of license to parties other than the association members | License may be offered for a feee |

(1) Title to industrial property rights:

Industrial property rights accruing from the results of sponsored R&D entrusted by private enterprise revert, as a rule, to the public institution or sponsor. (There are cases where the contractor attends to the filing procedure and assigns the right to the public institution, or the right to file the application is assigned to the sponsor.)

In the case of the research association, the title to a result achieved by a researcher originating from private enterprise reverts to the association, while an invention jointly made by both inventors originating from the government/public organization and from a private enterprise is co-owned by the government and the association. An invention made by an inventor originating from a public institution reverts to the government. When

the association is dissolved, these patents shall revert to the private enterprise or the government from which the inventors originate, and the jointly owned patent becomes the joint property of the government and the private enterprise.

(2) Title to Know-how:

Under the contract, know-how is handled in a way similar to that for industrial property rights, and as a rule it reverts to the sponsor that is the government/ public institution.

In the case of a research association, know-how generally belongs to the association and the members may have it disclosed, although this depends on the rules of the association. After the association is dissolved, its handling is similar to the industrial property rights.

(3) Granting license to the contractor:

The contractor may obtain licenses on the government owned patents derived from development results under a sponsored R&D unless there are specific problems. Although a preferential license may be granted for a prescribed period of time, it is in no instance exclusive.

The patents owned by the association are licensed to the members.

(4) Royalties:

There are no rules that provide for preferential measures for the contractor concerning the royalties for the government patents derived from sponsored R&D.

The patents of the association may be licensed for free to the company to which the inventor belongs.

(5) Granting of license to third parties:

When third parties wish to use the results of a sponsored R&D, the sponsor decides whether to grant the license to such parties. The contractor is obliged to

offer technical assistance to the third parties who are granted license, if so requested.

The industrial property rights of the association are, as a principle, offered for use to third parties. Association members have the right to license with a right to sub-license, and the industrial property rights of the association may be offered for cross-licensing.

Handling of the results by the U.S. Department of Energy is summarized below for comparison with the Japanese case.

(Handling of the results by the U.S. Department of Energy)

| | DOE |
|---|---|
| 1: Title to industrial property rights | U.S. Government, but the right may be waived for the benefit of the contractor |
| 2: Title to know-how (technical data) | Similar to the handling of industrial property rights |
| 3: Granting of license to contractor | Non-exclusive and revocable license is obtained |
| 4: Royalties | Paid-up |
| 5: Sublicensing to third parties | Allowed under prescribed conditions |
| 6: Background technology | Contractor grants the government non-exclusive and royalty free license |

(1) Title to the industrial property rights:

Basically these rights belong to the government. Provided, however, that the government may waive the rights to the contractor. The contractor may then possess such rights. There are no rules concerning joint ownership of the government and the contractor. As for foreign applications, the contractor may file in the countries where the government does not elect to secure patent rights.

(2) Title to know-how:

Know-how is handled as the technical data similarly to the industrial property right.

(3) Granting of license to contractor:

As a rule, the license is non-exclusive and revocable. The license may be made irrevocable upon request.

(4) Royalties:

The license is paid up as a rule.

(5) Contractor's right to sub-license:

Where the contractor is cost-sharing or where contractor's control or involvement in technology is substantial, etc.

(6) Background technology:

The contractor must grant the government non-exclusive and royalty free license if so demanded by the government.

2-1-3: Joint ownership and its handling

As an incentive for the contractor, a portion (less than 50%) of the government owned patent under the contract may be transferred to the contractor. (Conditions according to purchase/sale agreement for a government owned patent, February, 1986).

The rule for NEDO also provides for the joint ownership by assignment for a fee.

The following restrictions concern such joint patent rights.

- The contractor cannot assign its portion to third parties or create pledges thereon.
- Where the government wishes to license the third parties, the contractor's agreement is not required.
- Where the contractor wishes to license third parties, the government's agreement is required.
- Where the contractor uses the joint patent or offsets the royalty in the cross license agreement with a third party, contractor and/or the third party must pay royalties to the government.
- The contractor is obliged to offer technical assistance to the third parties licensed by the government.

2-1-4: Handling of the technology in possession of the contractor

Although the Japanese government sponsored R&D contracts lack explicit provisions on this point, the backgroud technology deposit program called the sealing system is commonly adopted. The sealing system is also adopted in the research associations.

DOE has explicit provisions concerning background technology including know-how, and the contractor is to grant the government a non-exclusive, royalty-free license if so demanded by the government. The contractor is also required to grant a non-exclusive license (upon conditions negotiated) to third parties for which the government is responsible.

2-2: Practical application of government-owned patents in Japan

New Technology Development Corporation patronizes the private enterprises to actually work the government owned prospective patents. This is an attempt to actively work the technology that involves enormous risks in development. The government owned patents to be worked include those which were obtained as the result of sponsored R&D. The Corporation pays the full amount including personnel expenses, and the amount is repaid in 5 yearly installments (at no interest) after the development is successfully concluded. While making the repayment, the use of the technology is permitted and 4% of the turnover is paid to the Corporation as a royalty. The technology developed is released to other enterprises through the Corporation. If the development does not succeed, repayment of the fees is not required. The industrial property rights accrued in the course of development revert to the Corporation, and they are handled similarly to the case of "sponsored R&D" (2-1-2).

2-3: Where the government/public institution is the contractor

2-3-1: Principle of handling the results

Handling of industrial property rights on the result of development sponsored by private enterprise is summarized below. As a rule, the government which is the contractor acquires the right, but the sponsor is assigned (for free) a portion (less than 50%) of the right (Article 6, the Law for Accelerating Research Exchanges, 1986). The patent rights jointly owned through this procedure are handled in a way similar to the joint patent rights discussed in 2-1-3.

(Handling of rights based on the result of development sponsored by private enterprise)

| | Private enterprises bears direct costs |
|---|---|
| 1: Title to industrial property rights | Government/public institution |
| 2: Title to know-how | No provision |
| 3: Granting of license to sponsor | Preferentially licensed to the sponsor or the party designated thereby for a prescribed period |
| 4: Royalities | Conditions negotiable by parties |
| 5: Granting of license to third parties | No provision |

Under the present law, the researcher who temporarily retires from his job with the government to conduct the joint research with a party other than the government or to engage in consignment studies for the government shall not be given disadvantageous treatment with respect to his retirement allowances (Article 5 of said law) in order to accelerate the joint researches of government and private enterprises.

3: Conclusion: Most desirable conditions for the sponsored R&D result

3-1: Title to the R&D result

What the contractor - the private enterprise - is

interested in participating in these sponsored R&D programs is to accumulate a certain experience and technology through the R&D activities. In fact, however, the industrial property rights to the R&D results are basically vested in the sponsor - the government. Irrespective of whoever the inventor is or whatever the contractor is, these rights necessarily assume the public character because they are the fruits from the investment of the national funds. The contractor, therefore, cannot expect the preferential treatment over any other parties with respect to the government owned patent rights.

In the United States, there is a "waiver system". Under the system, the patent right in the R&D programs will be assignable to the contractor, if so requested, depending upon the degree of his contribution, etc.

A Japanese counterpart may be a system of selling the government owned patent rights, which is for activating the contractors in the R&D project. Under our system, however, the sale of such right to the contractor is limited to a portion of less than 50% of the right. The contractor who becomes co-owner with the government are restricted from disposing or licensing in view of the public nature of such rights.

The system as it is may not be so attractive to the contractor. Therefore, we suggest that a study should be made about 100% assignment of the R&D results, particularly in case these are of less public character.

3-2: Royalties

In Japan, the contractors are not given any favorable treatment in respect of royalty for the patent rights resulting from the sponsored R&D programs. Even the co-owner of the patent rights under the above selling

system must pay the royalty to the government. Technical contribution by the contractors should be reflected in the royalties.

3-3: Background technology

R&D is generally entrusted to a company having a certain level of technology in the relevant field. The matter of "background technology" (a technology which is in possession of the contractor at the time of sponsored R&D contract) should be clarified in the R&D projects.

The inventions or discoveries made during the R&D project should be distinguished between the pure fruits of the sponsored R&D and the combination results with the background technology. In case where the background technology is partially embodied in the results of R&D project, the contractor would be forced to sacrifice his own technology. This is because resultant government owned patents will be open for any other parties to use. There has been no provision to stipulate the handling of the background technology in the R&D contracts with our government.

In order to protect the background technology as well as to induce positive participation in these R&D projects, such patents as conceived with the combination of the background technology should be jointly owned between the government and the contractor.

3-4: Diversion of the result from other development project

Aside from the background technology which are possessed at the time of the contract, there may be a technology to be derived from other development project conducted in parallel in the same company during the R&D

program. When such technology is diverted for the sponsored R&D program, a certain preferential treatment to the contractor would lead to more effective development program.

Finally, I wish to express my appreciation to Mr. Katsuhiko Shimizu, Mr. Itsuo Seki and other members of Committee No. 2 for their assistance and cooperation in the preparation of this report.

Marcia D. Pintzuk
FMC Corporation
October, 1987

# A Guide to Trademark Licensing for the Patent Practitioner

The practice of trademark licensing is primarily associated with franchising, such as McDonald's fast food restaurants, character marketing, such as Walt Disney's Mickey Mouse, and collateral licensing, of which the use of the Coca-Cola mark on clothing is a prime example. However, trademark licensing is not the exclusive domain of the consumer goods business. It often is or should be a concern of other businesses, including technology dependent industrial companies which own a limited number of marks or sell only under a house mark. Although these companies may not license their marks for the same reasons as McDonald's, Disney, or Coca-Cola, the legal ramifications are the same.

The practitioner called upon to handle these matters may be an individual with experience in patent and know-how licensing, but whose exposure to trademarks and trademark licensing is limited. The purpose of this paper is to highlight for that practitioner some of the problems which are unique to trademark licensing and to suggest ways of satisfactorily

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resolving or, preferably, avoiding them. The perspective taken is that of the trademark owner/licensor.

The scope of this paper is trademark licensing throughout the world. It is not, however, intended to provide information on the laws and practices of specific countries. Instead, issues common to the trademark laws of most countries are discussed and, in some cases, illustrated by citing particular nations.

Problems unique to service mark licensing are not addressed. However, for those countries in which service marks are afforded protection, it may be assumed that reference to trademarks includes service marks and comments on products also apply to services.

For the purpose of organization, the subject of trademark licensing has been divided into the following sections:

1. the legal basis for the licensing of trademarks;
2. special implications to trademark licensing of antimonopoly and product liability laws; and

3. issues which could bear on the validity of the trademark or the licensor's ownership of the mark, especially those relating to the recordal of trademark licenses.

1. The Legal Basis for Licensing Trademarks

A. Evolution of trademark theory to allow for licensing

Historically, the function of a trademark was to represent to the consumer the physical source or origin of the product on which the mark was placed. Early examples can be found in ancient times when slaves put special marks on the bricks they made and in the middle ages when guilds required that artisans apply a distinctive mark to their wares. In both cases, the marks were made so that the source of the goods could be identified, probably for the purpose of affixing responsibility for the quality of the goods.

Trademark licensing was impossible under this "source theory", since it meant that products which did not originate with the licensor would bear the licensor's mark. The practice of licensing was considered to be deceptive and a cause of consumer confusion. Invalidation of the registration of a

licensed mark or any unregistered or common law rights in the mark was a typical penalty.

To meet changing commercial realities, the source theory evolved into the "guarantee theory". The guarantee theory recognizes that the contemporary consumer is generally unaware of the actual source of the product. Nevertheless, the consumer will assume and is entitled to assume that all goods sold under the same trademark will be of equal quality. Therefore, if the trademark owner controls the quality of the goods, there will be no deception or cause for confusion.

Trademark licensing with adequate quality control by the trademark owner is now permitted in most countries. If the rules of trademark licensing are followed, the use of the mark by a properly licensed party will be legally deemed to be use by the trademark owner.

B. Quality control requirement

(1) The requirement

Quality control is the most critical element of a valid trademark license. Although the great majority of countries

agree on the need for quality control, a variety of approaches toward the requirement are taken.

Many countries, most notably the United Kingdom and former British colonies, follow a "registered user" system. This system usually entails the filing of an application with the trademark registrar for approval of the proposed licensee as a registered user of the mark. The application must be accompanied by a declaration showing the degree of control which the trademark owner will have over the licensee. The registrar will accept the application only if satisfied that the trademark owner is in a position to properly control the use of the mark by the licensee. Once the licensee is registered, however, the registrar is not called upon to ensure that control is actually exercised.

The U.S. trademark law requires the trademark owner to control the nature and quality of the goods on which the licensee uses the mark. Such control is the prerequisite for the licensee to be considered a "related company" of the trademark owner, so that its use of the mark will inure to the trademark owner's benefit. The need for the licensor and licensee to be "related companies" refers only to the aspect of control and does not mean that a parent/subsidiary or similar relationship is necessary.

Another approach is exemplified by Bulgarian law which does not require the trademark owner to exercise control. Instead, it is the licensee who is required to ensure that the goods manufactured and sold under the mark will be of the same quality as those of the trademark owner.

Licensing is generally viewed in the context of the guarantee theory of trademarks even in countries where quality control is not expressly required. In those situations, the need for the trademark owner's control of the licensee's use of the mark can be implied and it is, therefore, advisable to include a quality control provision in the license.

(2) The consequences of inadequate control

As mentioned above, the use of trademarks was originally required so that blame could be assigned if the goods produced were of unsatisfactory quality. According to trademark lore, the individual responsible for shoddy workmanship in those times could suffer rather severe punishment, including death. Times, of course, have changed. These days, lack of quality will probably result in fewer sales and, perhaps, a

product liability suit. Lack of quality control in a trademark licensing situation may result in the death of the trademark license or the trademark itself, but hopefully not the demise of the trademark lawyer who has failed to counsel the client about quality control.

There are several possible effects of licensing without control by the trademark owner of the nature and quality of the goods on which the licensee uses the mark. The most serious of these is the invalidation of the trademark and cancellation of the trademark registration. This is a logical consequence where the uncontrolled use of the mark has caused it to lose significance as a trademark with respect to the goods in question. Less severe is the possibility that the trademark license itself will be held to be void. However, if the licensee was the exclusive user of the mark, invalidation of the license could mean that the trademark itself will become unenforceable as a result of non-use.

(3) Fulfilling the control requirement

Trademark laws usually do not specify what constitutes control adequate to render the licensee's use of the mark non-deceptive. The following, however, have been generally accepted as satisfactory methods of control:

- specifying formulae, recipes, and ingredients;
- training the licensee's employees;
- providing testing standards;
- supervising the manufacture and testing of the goods;
- obtaining samples of product from the licensee and the marketplace for testing by the trademark owner; and
- periodically inspecting the licensee's plant and manufacturing process.

This list is far from all inclusive and should be customized as appropriate to the particular product and country involved. For example, although it may be difficult to obtain agreement for plant visits in Eastern Bloc countries, the supply by the trademark owner of necessary raw materials for the product may be quite acceptable.

It is important to note that in most jurisdictions it is not enough that adequate control provisions be included in the trademark license. Control must be exercised; merely having the right to control is insufficient. Thus, the trademark owner must make every effort to enforce the licensee's compliance with these requirements.

The licensee would violate the control provisions by using the mark on products other than those specified by the trademark owner or selling approved products in violation of the trademark owner's quality specifications. In either case, the licensee would probably be in breach of the agreement and could be liable for trademark infringement. If the trademark owner tolerates the situation without taking action, the trademark owner is not effectively controlling quality and the public is likely to be deceived.

(4) Sublicensing

The requirement that the trademark owner exercise actual control over the nature and quality of the goods bearing the licensed mark is, in some countries, considered to be inconsistent with the concept of sublicensing. For example, sublicensing is not permitted in India, South Korea, and Taiwan, for this reason.

In countries where sublicensing is not prohibited, it may still create a risky situation and caution should be exercised. The safest policy is to avoid sublicensing altogether by having the trademark owner license the would-be sublicensee and exercise direct control. If this is not possible, consideration should be given to appointing the licensee

as the trademark owner's agent to exercise control on its behalf.

2. Antitrust and Product Liability

Neither antitrust nor product liability are concerns unique to trademark or intellectual property law. However, through the control requirement, both have a unique connection to trademark licensing.

A. Antitrust - tie-ins

Inadequate control by the trademark owner may cause the loss of the licensed mark, but too much control can be a violation of the antimonopoly laws. There are a number of ways in which an overzealous trademark owner can cross the line from legitimate control to anticompetitive behavior. For example, the imposition of territorial restrictions on a licensee may raise a question of antitrust liability in many jurisdictions. However, only tie-ins will be mentioned here.

In the context of trademark licensing, this type of arrangement usually conditions the granting of the license on the licensee's purchase of raw materials or semi-finished products from the trademark owner for use in the production of

the goods which will bear the licensed mark. Common examples are soft drink syrup for soft drinks and yarn for fabrics. In some countries, this is permissible as necessary to maintain the quality of the product sold by the licensee under the mark. However, in many other countries, including the U.S. and Japan, attempting to control quality by designating the source from which a licensee must obtain supplies may violate antimonopoly laws if an anticompetitive effect is created.

A solution is to develop methods for quality control which will satisfy the objectives of both the trademark laws and antimonopoly laws. For example, specifications should be developed to enable the licensee to purchase ingredients from any supplier so long as they meet the trademark owner's quality standards.

B. Product Liability

There is an increasing likelihood that the guarantee theory of trademarks will be used to impose liability on the trademark owner for injury caused by products sold by its licensee under the mark. The trademark owner would be held accountable even where it had no part in producing, packaging, or

selling the product, i.e., solely by virtue of the trademark license.

This situation appears to be unique among the various forms of intellectual property. Rarely, if ever, has a licensor been held so liable simply for granting a patent license. It seems to be the control element in trademark licensing that distinguishes the trademark licensor from the patent licensor.

Unlike the antitrust problem, there is not much that the trademark owner can practicably do to avoid liability and exposure to suit. However, there are measures which can be taken to try to minimize the effect of liability if it is imposed.

If possible, the trademark license agreement should include a clause in which the licensee agrees to indemnify and hold the trademark owner harmless from any and all claims, damages, costs, and attorney's fees arising from the licensee's use of the mark. Ideally, the indemnification should extend beyond the term of the agreement with respect to causations which occurred during the agreement term.

There are at least two problems with relying on a promise of indemnification as a solution. First, it may be impossible to obtain government approval of the agreement. Some countries, e.g. Brazil, routinely object to the inclusion of such clauses. Second, even if included in the license, it may prove to be worthless, since the effectiveness of an indemnification clause is dependent on the financial worth of the licensee, which may not always be dependable.

In order to protect the trademark owner from the consequences of having a financially limited licensee, consideration should be given to requiring that the licensee obtain an insurance policy with certain minimum coverage to provide for these situations. The trademark owner should be named as a co-insured in the licensee's policy and the insurance company should be required to notify the trademark owner in the event the premiums are not paid or the policy is being terminated or changed. The license agreement can provide for automatic termination in any of those cases. The availability of such insurance varies from country to country, but it can be obtained in, for example, Kenya, Costa Rica, Saudi Arabia, and Greece.

3. Issues which could bear on the validity of the trademark or the licensor's ownership

The issue of greatest importance is the need for control by the trademark owner over the nature and quality of the goods sold by the licensee under the licensed mark. There are, however, other acts of omission or commission which can result in loss of trademark status for the word or symbol, or loss to the licensor of its ownership of the mark.

A. When is a trademark license necessary?

Correctly answering this question is very important, since it is only through proper trademark licensing that the licensee's use of the mark will be deemed to be use by the trademark owner.

Generally, a trademark license is needed whenever it is the licensee, rather than the trademark owner, who is "using" the mark. If someone other than the trademark owner manufactures, processes, assembles, completes, or in any other way changes the product as received from the trademark owner, and wishes to use the mark in connection with that product, a trademark license is needed. This is in contrast to a

reseller of the product, such as a distributor or merchant, who does not alter or modify the product in any way and, therefore, in most countries does not need a license. A rule of thumb, applicable here as it is in the case of other types of intellectual property, is that a license is necessary where the use of the protected property would infringe the rights of the owner.

The situation is less clear for one who repackages product into containers bearing the mark which appeared on the original package. The answer depends on how the mark is displayed by the repackager and on local law. In most cases, it is advantageous to license the repackager. However, consider the situation in countries like Taiwan, where quality control provisions usually found in a trademark license may instead be included in a repackaging agreement which would not require government approval. Since obtaining such approval is difficult and at times impossible, avoiding the need for a trademark license could be a significant advantage.

B. Recordal

Licenses for patents and know-how and those for trademarks are often required to be recorded or registered or otherwise approved by a government office. (For convenience, all of these processes will be referred to as "recordal".) The issues facing royalty-bearing and exclusive licenses and examination by technology transfer agencies are often similar for all types of intellectual property, so they will not be addressed. On the other hand, there are ramifications of the recordal or non-recordal of royalty-free, nonexclusive trademark licenses which are peculiar to trademark practice. Therefore, attention will be focused on these situations.

In terms of their attitude toward recordal of trademark licenses with local trademark authorities, countries can be roughly divided into two groups - those in which recordal is mandatory or desirable and those in which recordal is not possible or, if possible, would not affect the validity of the mark or the licensor's rights in the mark. Appended to this paper is a list showing the group under which selected countries could be classified with regard to a royalty-free, nonexclusive license. (Countries which follow a registered user system are specially noted.) The list was compiled from

the results of an informal survey taken to determine the consequences of recordal and non-recordal of such licenses. Please note that the survey showed that the lines between the two groups are often blurred. Therefore, the list should only be used as a rough guide and not as an indication of how any specific situation should be handled.

The smallest group is that containing countries, such as the U.S. and Switzerland, where recordal with local trademark authorities is not possible or will not contribute to the validity of the mark or the licensor's ownership. Similarly, in Japan, although it may be necessary to file the agreement with other government offices, such as the Fair Trade Commission, it is not necessary to file the license with the Patent Office. In fact, as will be discussed below, there may be disadvantages to the trademark owner in so recording the agreement.

The other group includes countries, such as South Korea, where recordal is mandatory. In those countries, failure to record with trademark authorities could result in the license being deemed illegal and the unlicensed use of the mark cause for cancellation of the trademark registration. This is often true even when there has been approval of the agreement by other government offices.

Also included in the second group are countries where, although not mandatory, recordal is desirable. In these countries, the existence of an unrecorded trademark license will not, in and of itself, damage the trademark registration. However, recordal may provide significant benefits, the most significant of which is that the licensee's use of the mark would be deemed use by the trademark owner.

Use is the key to obtaining and/or maintaining trademark protection in an ever increasing number of countries. Without use, it may not be possible to register a mark, file required affidavits to maintain registration, renew a registration, or defend a registration against a cancellation action. Therefore, if the trademark owner is not using the mark in a particular country, it could be critical that the licensee's use of the mark there inure to the trademark owner.

Another advantage to be gained by recordal, where it otherwise would not be mandatory, is that it often facilitates cancellation of the agreement, and, thus, termination of the licensee's use of the mark, according to the cancellation provisions of the agreement. It is interesting, however, that in some countries, such as Japan, recordal may make

cancellation more difficult. In Japan, the only way to cancel a recorded license, before expiration of the agreement, is by obtaining the licensee's written consent to cancel the license or to have a court order its cancellation. Unrecorded licenses can be more easily altered or cancelled by notice.

Once the decision to record is made, consideration should be given to the document to be recorded. In many countries, such as Greece and the Benelux countries, while the actual agreement is often fairly complex, the parties may execute a relatively simple license for recordal purposes. This facilitates recording and limits the amount of information which becomes a part of the public record.

A related issue is whether a trademark license which is but one part of an arrangement including other elements, such as know-how, patent, and distributorship rights, should be left to a separate document or included in one document covering the entire arrangement. As with most questions on trademark licensing, the answer will vary with the country. The single document approach may be appropriate in those countries where more favorable treatment would be given to transactions in which technical information accompanies the trademark

license. This must be balanced against the fact that, in most countries, trademark office records are open to public inspection and therefore unsuitable for the deposit of documents which contain confidential information. In many of these countries, registration of a license for areas of intellectual property other than trademarks is not necessary.

C. The need to control the licensee's use of the mark

In order to maintain its rights, the trademark owner must monitor the licensee's use of the mark. Otherwise, the owner risks loss of the mark or a dilution of its value, or, even worse perhaps, loss of ownership of the mark to the licensee. The trademark license agreement should include provisions governing how the mark will be used and requiring that materials in which the mark appears, such as labels, ads, and packaging, be submitted for the trademark owner's approval before use. The licensee should also be required to follow good trademark usage practice in its use of the mark, such as ensuring that the mark be distinguished from the rest of the text in which it appears and that it be used grammatically as an adjective. It also is advisable to indicate, if appropriate, a notice of registration suitable for the particular country.

In a number of countries, such as West Germany and Brazil, the trademark must be used as registered or such use will not support the trademark registration. For example, if the mark consists solely of a word but is used as part of a figurative logo, such use may not be accepted in support of a registration of the word alone, and the registration of the word alone may be cancelled for lack of use. If the licensee wants to modify the appearance of the trademark or use it with design elements so that a different overall impression is created, the trademark owner would be well advised to register the mark as actually used.

It may also be advisable to register any distinctive get-ups, package designs, etc. which are used by the licensee in connection with the mark, so that it is not the licensee who owns these properties upon termination of the relationship. Also recommended is registration by the trademark owner of translations and transliterations of the trademark into local languages, so that the licensee is not tempted to develop its own local language trademark. In addition, it is prudent to try to require that the licensee, on termination of the agreement, assign to the trademark owner all rights in any such marks which might be used in connection with the licensed mark.

Another common prohibition is against use by the licensee of the licensed mark in combination with a mark owned by the licensee. This practice is objectionable since it tends to dilute the distinctiveness of the licensed mark. Unfortunately, however, a few developing countries have, from time to time, taken the position that a linking requirement is necessary for economic reasons. If there is no way to avoid linking in a particular country, the trademark owner should try to soften the effect by making the situation clear to consumers. This can be done by requiring clear markings on labels and advertisements. (E.g. Brand X is a trademark of ABC Inc.; Brand Y brand products are made in Brazil by ABC Inc. under license from DEF Ltd. Brand Y is a trademark of DEF Ltd.)

In fact, it is important to require that the licensee use explanatory markings in all trademark licensing situations. Although not legally required in most countries, a statement on packaging and advertising that the mark is being used under license from the trademark owner, could be extremely useful.

Marking provides many benefits. If the licensee has been the sole supplier of trademarked goods in a particular country,

there is a danger that the public may come to consider the licensee as the sole source of these goods. Marking will help to keep the trademark owner's name in public view so that if the license is ever terminated, the legal argument could be made that the public will associate that trademark with the licensor. It will also help to avoid the dilution of the mark which could result from its use by more than one company.

## Conclusion

The purpose of this paper was to introduce patent practitioners to the situation confronting a trademark owner who anticipates licensing. It was intended to enable the reader to recognize issues unique to trademark licensing, as well as to assess the risks involved and, hopefully, minimize them. Very broad generalizations have been used in order to give an overview of the subject. The laws of the country of interest should, of course, be studied before deciding how to handle a specific situation.

A main theme of this paper has been how trademark licensing can strengthen or weaken a trademark. With this in mind, consideration should be given to periodic reviews of all

national and international uses of trademarks by the trademark owner and its licensees, distributors and customers. The purpose of such a review would be to determine if all of these trademark uses are correct, whether they are the subject of written licenses, and if licensing programs are adequately policed.

Considerable thought and effort goes into the planning and execution of a successful trademark licensing program. However, that effort is a wise investment since, if well cared for, a trademark can last forever.

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Results of Informal Survey on the Need for Recordal with Trademark Authorities of a Royalty-Free, Nonexclusive Trademark License

| Country | Recordal Not Possible or Not Advantageous to Licensor | Recordal Necessary or Desirable | |
|---|---|---|---|
| | | Registered User | Non-Registered User |
| OAPI (1) | | | * |
| Algeria | | | * |
| Argentina | * | | |
| Australia | | * | |
| Austria | | | * |
| Bangladesh | | * | |
| Benelux (2) | | | * |
| Bolivia | | | * |
| Bophuthatswana | | * | |
| Brazil | | | * |
| Brunei | | * | |
| Bulgaria | | | * |
| Canada | | * | |
| Chile | | | * |
| China, PR | | | * |
| Colombia | | | * |

(1) Member states are Benin, Burkina Faso, Cameroun, Central African Republic, Chad, Congo, Gabon, Ivory Coast, Mali, Mauritania, Niger, Senegal, and Togo.

(2) Covers Belgium, Netherlands, and Luxembourg.

| Country | Recordal Not Possible or Not Advantageous to Licensor | Recordal Necessary or Desirable | |
|---|---|---|---|
| | | Registered User | Non-Registered User |
| Cyprus | | * | |
| Czechoslovakia | * | | |
| Denmark | * | | |
| Dominican Republic | | | * |
| Ecuador | | | * |
| Egypt | | | * |
| Finland | * | | |
| France | | | * |
| German Dem. Republic | | | * |
| Fed. Republic of Germany | * | | |
| Ghana | | * | |
| Greece | | | * |
| Guatemala | | | * |
| Hong Kong | | * | |
| Hungary | | | * |
| India | | * | |
| Indonesia | * | | |
| Ireland | | * | |
| Israel | | * | |
| Italy | | | * |

| Country | Recordal Not Possible or Not Advantageous to Licensor | Recordal Necessary or Desirable | |
|---|---|---|---|
| | | Registered User | Non-Registered User |
| Japan | * | | |
| Kenya | | * | |
| South Korea | | | * |
| Malaysia | | * | |
| Mexico | | | * |
| New Zealand | | * | |
| Nicaragua | | | * |
| Nigeria | | * | |
| Norway | * | | |
| Pakistan | | * | |
| Papua New Guinea | | * | |
| Peru | | | * |
| Philippines | | | * |
| Poland | | | * |
| Portugal | | | * |
| Qatar | | | * |
| Romania | | | * |
| Saudi Arabia | | | * |
| Singapore | | * | |
| South Africa | | * | |
| South West Africa | | * | |
| Spain | | | * |

| Country | Recordal Not Possible or Not Advantageous to Licensor | Recordal Necessary or Desirable: Registered User | Recordal Necessary or Desirable: Non-Registered User |
|---|---|---|---|
| Sweden | | | * |
| Switzerland | * | | |
| Syria | | | * |
| Taiwan | | | * |
| Thailand | * | | |
| Tunisia | * | | |
| U.S.S.R. | | | * |
| U.K. | | * | |
| U.S.A. | * | | |
| Uruguay | * | | |
| Venezuela | | | * |
| Yugoslavia | | | * |

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# Rights and Obligations of the Parties to Know-How License Agreements Surviving the Termination thereof

## - Comparison of Current status under Anti-Monopoly Laws of Japan and European Communities -

Presented at PIPA 18th Congress

Japanese Group, Committee No. 2
Subcommittee B

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(Abstract)

This paper focuses on the rights and obligations of the parties surviving the termination of know-how licensing agreements and compares the current regulations under anti-monopoly laws of Japan and European Communities over these restrictions. The discussion relating to Japan is based on "Antimonopoly Act Guidelines for International Licensing Agreements (1968)" and their commentaries. EC is based on the draft for "Commission Regulation on the application of Article 85 (3) of the Treaty to certain categories of know-how Licensing Agreements" which has recently published. These are mainly studied from the viewpoint of whether the licensed know-how is still of confidentiality or not after the termination of the agreements. As for the handling of the licensee's improvements to know-how, it is considered from the viewpoint of whether such improvements are separable from the licensor's original know-how or not.

## 1. Introduction

Enterprises are increasing the frequency of concluding licensing agreements on know-how (hereinafter referred to as KH) and attaching more importance to such agreements in recent years. Particularly, under the circumstances of

proceeding with the intelligence intensive industrialization and the increased sophistication and complexity of the technology, the number of technology license agreements for (1) patent and KH or for (2) KH alone is increasing compared to those for (3) patent alone.

KH as the object of an agreement (which shall be limited in this paper to KH of its confidentiality that is agreed at least by the parties at the time the agreement is concluded) is different from patents in the following points.

(a) Whereas a patent is publicly protected (by patent law), KH is protected by a private confidential relationship between the parties (by contract). The degree of protection naturally differs from each other.

(b) Whereas a patent does not lose its proprietary value even when its content is opened to the public, confidentiality of KH forms an important basis for its proprietary value. In other words, KH loses its merit as a property once it becomes publicly known (or loses its confidentiality).

(c) Whereas a patent right and its scope are clearly defined by its claims, the content and scope of KH are often ambiguous. Therefore, a particular difficulty arises in whether the licensor's KH can be distinguished from the licensee's improvements to KH.

(d) Whereas the life of patent is clearly prescribed, KH has no definite life and it is protected indefinitely so long as its confidentiality remains intact. Judging the presence or absence of confidentiality (or proprietary value) is generally quite difficult, making the life of KH quite ambiguous.

In view of the above, KH license agreements carry various restrictive provisions for protecting KH as rights and obligations of the parties. Ambiguity of the content, scope and life of KH, in particular, leads to increased number of provisions which survive the termination of the agreement.

There is a trend, on the other hand, to control undue restrictions imposed by KH licenses in view of the anti-monopoly laws. The Commission of the European Communities has deliberated and recently published the draft for "Commission Regulation on the Application of Article 85(3) of the Treaty to Certain Categories of Know-how Licensing Agreements" following the similar regulation "Commission Regulation on the Application of Article 85(3) of the Treaty to Certain Categories of Patent Licensing Agreements (1984)". In Japan, there is published "Antimonopoly Act Guidelines for International Licensing Agreements (1968)", which is to be applied to both patent and KH licensing agreements.

This paper focuses on the rights and obligations of the parties surviving the termination of KH licensing agreements and compares the current regulations under anti-monopoly laws of Japan and EC over these restrictions. The paper does not touch upon US because of the reported review and mitigation of the anti-monopoly law application to licensing agreements and because of the paucity of recent information on the control over KH licensing agreements.

## 2. Controversial Restrictive Provisions

Major restrictive provisions which survive the termination of KH licensing agreements and which may be problematic are listed below.

(1) Provision imposing an obligation on the licensee not to use the licensed KH (the original KH)

(2) Provision imposing an obligation on the licensee to pay royalties for use of the original KH

(3) Provision imposing an obligation on the licensee to keep the original KH secret

(4) Provision imposing an obligation on the licensee not to use the original KH for purposes other than those licensed

(5) Provision concerning handling of improvements to KH made by the licensee

(6) Provision imposing restrictions on dealing in competing products

As discussed above, confidentiality is an important asset in enhancing the proprietary value of KH, so, rights and obligations of the parties are summarized from the viewpoint of confidentiality of licensed KH. As for the licensee's improvements to KH, the matter is summarized from the viewpoint of whether such improvements can be separated from the licensor's KH or not. Results are shown in the attached table. Detailed discussions of views prevailing in Japan and EC will be explained as follows.

## 3. Views in Japan

### (1) Obligation not to use

#### (1-1) Where the licensed KH is of confidentiality:

Although there is no decision of a case disputing the legality of this matter, the Fair Trade Commission indicated the following. "If the agreement is understood as one to grant a license for use of KH, the post-term use ban is deemed unavoidable so long as KH remains secret." *1

While no reference is made to the period of use ban (restriction), the matter is considered legal so long as KH is of confidentiality.

In the event where the agreement has no provision prohibiting the use of KH after the termination of the agreement, there is no decision in such case. Conventional doctrines often held the view that the use was unrestricted after the expiry of the agreement. Recently predominant doctrines, however, are that the post-term use ban is legal since the license agreement is a sort of lease agreement, and non-use of KH is an automatic and inherent contractural obligation of the licensee after the expiry of the agreement. *2, *3 This doctrine, however, presupposes that said KH is of confidentiality.

*1: Y. Nakamura ed.: "Comments on Antimonopoly Act Guidelines for International Licensing Agreements" (1968) p. 109

*2: Japan Patent Association Reference Material #76 "Protection of Know-how and practice for Licensing Agreements" (1978), p. 154

*3: S. Amemiya: "Doctrine of Patent License Agreement" The Japan Industrial Journal (1980) pp. 137 - 145

(1-2) Where the licensed KH has become publicly known:

There are no decisions concerning this matter in Japan. However, the view that post-term use ban of KH which has become publicly known prior to the expiry of the agreement is likely to be regarded as violation of the anti-monopoly law is quite prevalent. The Japanese Fair Trade Commission holds the view that the post-term use ban of KH which has publicly known may come under general designation of unfair business practices, item 10 "Abuse of Predominant Position in Transactions", or at times under item 8 "Transactions with Restrictive Conditions". *4, *5

Where, general designation of unfair business practices indicates Fair Trade Commission Notification No. 11 of 1953 which designates actions of unfair business practices coming under the provisions of Section 2(9) of the Antimonopoly Act.

General Designation of Unfair Business Practices; item 8 (Transactions with Restrictive Conditions):

"Dealing with customers on conditions, which, without good reason, restrict any transaction between the said customers and the supplier of commodities, funds, or other kinds of economic benefit to them or between the said customers and any person receiving those from them, or any relationship between the said customers and their competitors."

item 10 (Abuse of Predominant Position in Transactions):

"Trading with customers on conditions which are unduly unfavourable in the light of normal business practices by making use of one's predominant position over the said customers."

*4: See *1. P.109

*5: See *2. P.148

(2) Obligation to pay royalties

(2-1) Where the licensed KH is of confidentiality:

Although there are no decisions, imposing an obligation on the licensee to pay royalties for continued post-term use of the licensed KH is considered natural, and therefore legal.

(2-2) Where the licensed KH has become publicly known:

We find no direct answer to this problem in the Japanese laws nor is there any decision on this matter. While there is a view that the licensee may seek relief from the Fair Trade Commission, the view that there is no legal relief persists: That is, royalties for KH are determined based on the economical merits and the degree of needs of

both parties at the time the agreement was concluded, and the payment conditions for the royalties merely prescribe the manner of payment to which both parties agreed. Therefore, the intrinsic value should not fluctuate irrespective of the secrecy of KH. The problem of whether the obligation to pay license fee remains after the licensed KH has become publicly known or not should be considered on a case-by-case basis in the light of facts and situation involving the individual case and the intent of parties at the time of conclusion. No uniform interpretation is possible in such cases. *6

On the other hand, since KH can be used freely and without cost by those other than the licensee once KH becomes publicly known, the licensee is at a disadvantage if he alone is obliged to continue paying the license fees. In this context, imposing an obligation on the licensee to pay the royalties even after KH has become publicly known falls under items 2, 8 and 10 of general designation of unfair business practices and may be held as violating the anti-monopoly law. We find no official view of the Fair Trade Commission on this point.

Item 2 (Discriminatory Conditions for Transactions):

"Affording, without good reason, substantially favourable or unfavourable treatment to certain entrepreneurs in regard to the terms or execution of transactions."

*6: See *2. p.147

(3) Secrecy

(3-1) Where the licensed KH is of the confidentiality:

The obligation for confidentiality after termination of the agreement is generally interpreted as being similar to the obligation not to use. If the agreement carries an explicit provision for the post-term secrecy, then it is considered to be no problem under the anti-monopoly law. The problem arises in absence of such provisions. Since it is considered reasonable to interpret a license agreement as a sort of lease agreement and not as a transfer of KH

ownership, it would be rash to understand that the obligation for secrecy expires immediately upon the expiration of agreement. So long as the proprietary value of KH is based on its confidentiality, disclosing its secrecy immediately means the loss of proprietary value of the licensor's KH. *7

It is, accordingly, considered that, so long as the confidentiality of KH is kept, imposing an obligation for confidentiality on the licensee after termination of the agreement is not liable to violate the anti-monopoly law.

*7: See *2. pp. 155 - 156

(3-2) Where the licensed KH has become publicly known:

If KH which is the object of the license agreement becomes publicly known after the termination of the agreement, the licensee is generally believed to be exempted of its obligation for confidentiality. Accordingly, imposing an obligation for confidentiality on the licensee after termination of the agreement is liable to violate the anti-monopoly law.

(4) Obligation not to use KH for other purposes

It is considered that the obligation not to use licensed KH for purposes outside the scope of license if handled by the substantially similar idea to the obligation not to use.

(5) Licensee's improvements to KH

(5-A) Where the licensor's original KH and the licensee's improvements to KH are inseparable:

That the licensor's original KH and the licensee's improvements to KH are inseparable means that the licensor's original KH is indispensable in exploiting the licensee's improvements to KH. In other words, the exploitation of the licensee's improvements inevitably accompanies the use of the licensor's KH. Since such licensee's improvements are

subject to the licensor's KH, it is considered that, so long as the licensor's KH remains confidentiality, the licensor can continue imposing the following obligations on the licensee after the termination of the agreements without violating the anti-monopoly law.

* Not to use improvements to KH
* To keep improvements to KH secret
* Not to license improvements to KH to third parties
* Not to use improvements to KH for other purposes

On the other hand, where the original KH is no longer secret, it is considered that imposing said obligations on the licensee in liable to violate the anti-monopoly law.

(5-B) Where the licensor's original KH and the licensee's improvements to KH are separable:

That the licensor's original KH and the licensee's improvements to KH are separable means that the former is not at all needed in exploiting the latter or the former does not affect the latter contrary to the above case (5-A). In other words, the licensor's original KH is not utilized in exploiting the licensee's improvements to KH.

Such licensee's improvements to KH should be freely disposable, therefore, imposing restrictions as mentioned in (5-A) on such improvements to KH is liable to violate the anti-monopoly law irrespective of the confidentiality of the licensor's KH.

(6) Restrictions on dealing in competing products

Restriction on dealing in competing products means restricting the business activities of the licensee which should be free to conduct, and also means restricting competitors of the licensor in dealing with the domestic entrepreneurs. The restriction on competition is quite

direct, and is considered highly illegal. (Item 1-(3) of Antimonopoly Act Guidelines for International Licensing Agreements)

Therefore, imposing restrictions on dealing in the competing products after the termination of the agreement is not allowed irrespective of whether the agreement is exclusive or non-exclusive. Post-term restrictions are not allowed even in the case of earlier termination by a cause attributed to the licensee. *8

*8: Fair Trade Commission ed.: "Fair Trade" No. 419 (Sept., 1985), pp. 55 - 56

4. Views in EC

- Based on the draft Commission Regulation on the application of Article 85(3) of the Treaty to certain categories of know-how licensing agreements -

(1) Obligation not to use

(1-1) Where the licensed KH is of confidentiality:

Art. 2-1-(3) of the Regulation defined that imposing an obligation on the licensee not to exploit the licenseed KH after termination of the agreement does not fall under restriction of competition as long as KH is still secret and does not consist only of practical experiences obtained in working an expired patent previously licensed to the licensee.

In other words, the provision admits the post-term use ban of KH for licensee after the agreement terminates. Such an obligation is considered an ordinary feature of KH licenses. If the post-term use ban of KH is not admitted, the licensor would be forced to transfer its KH permanently, and this would discourage technology transfers. This

provision is not applicable, however, if KH consists only of practical experiences accumulated in working the expired patent previously licensed to the licensee. This is because the licensee would be at a disadvantage compared to its competitor who can freely develop and use the identical KH in working the expired patent.

(1-2) Where the licensed KH has become publicly known:

Art. 3-(1) forbids preventing the licensee from continuing its use of the licensed KH after the termination of the agreement as it falls under restrictions of competition, if KH becomes publicly known by the action of parties other than the licensee, or if KH consists only of the practical experiences obtained in working the expired patent previously licensed to the licensee. Thus Art. 3-(1) does not admit the post-term use ban of the licensed KH for the licensee where KH has become publicly known through the action of the licensor or third parties.

When the licensed KH becomes publicly known by the action of the licensee, could we consider that the provision admits the post-term use ban for the licensee? Although the Regulation does not stipulate this point, imposing the post-term use ban is likely to be deemed as restricting competition apart from the licensee's violation under the secrecy provision.

(2) Obligation to pay royalties

(2-1) Where the licensed KH is of confidentiality:

The Regulation explains that the secrecy is of the essence of KH, and therefore imposing an obligation on the licensee to pay royalties for his continued post-term use of KH is not considered as restricting competition, but is permissible.

(2-2) Where the licensed KH becomes publicly known:

(1) Art. 2-1-(8) provides that if KH has become publicly known by the action of licensee, imposing the obligation on the licensee to continue paying royalties until the termination of agreement is not regarded as restricting competition. It is not clear, however, whether imposing the obligation on the licensee to continue paying royalties after the termination of agreement is considered as restricting the competition or not.

(2) Art. 2-1-(9) provides that imposing the obligation on the licensee to continue paying royalties for up to 3 years after KH has become publicly known through the action of third parties, is not considered as restricting competitions. (Provided, however, that it does not prejudice the right to decide deferring the payment of a fixed amount for a prescribed period of time irrespective of the time when KH has become publicly known.)

According to the explanation given by the Regulation, this provision was created as necessary to avoid unfair and restrictive situations since providing unlimited or unreasonably long (i.e. more than 3 years) period for continued payment of royalties after KH has become publicly known is inappropriate.

On the other hand, Art. 4-1 provides that exemptions provided in Articles 1 and 2 shall also apply to agreements containing obligations restricting competition which are not covered by these Articles and which do not fall within the scope of Article 3, on condition that the agreements in question are notified to the Commission and that the Commission does not oppose such exemptions within a certain period (6 months). In addition, Art. 4-2-(a) provides that Art. 4-1 is applicable to an obligation on the licensee to continue paying royalties for more than three years after the licensed KH has become publicly known.

From the above, it is considered that imposing an obligation on the licensee to continue paying royalties for more than three years after KH has become publicly known by the action of third parties is of a gray area which may be regarded as restricting competition.

Since the lead time obtainable through the licensed KH places the manufacture and marketing by the licensee in a superior position, the payment of royalties for more than 3 years should be justified by submitting agreements in question to the Commission and receiving their approval.

(3) Art. 3-(5) prohibits imposing an obligation on the licensee to pay royalties for the use of KH as restricting the competition if KH has become publicly known by the action of the licensor or the enterprise connected with the licensor.

Under this provision, the licensee should be exempted payment of the royalties if KH has become publicly known through the action of the licensor.

(3) Secrecy

(3-1) Where the licensed KH is of confidentiality:

Art. 2-1-(1) provides that imposing an obligation on the licensee not to divulge KH communicated by the licensor and holding the licensee to observe this obligation after the agreement has expired are not restrictive of competition.

The secrecy, in other words, is of the essence of KH and is extremely important for concluding KH agreements. Therefore, imposing an obligation on the licensee to keep KH secret is permissible even after the agreement has expired.

(3-2) Where the licensed KH has become publicly known:

When KH loses its confidentiality (or has become publicly known), the licensee is exempted from obligation for keeping confidentiality after the expiry of the agreement.

Therefore, it is considered that imposing an obligation on the licensee to keep KH secret after the expiry of agreement falls under restriction of competition.

(4) Obligation not to use KH for other purposes

It is considered that the obligation not to use KH for other purposes after expiry of the agreement is handled by the same idea as in the above mentioned item 4-(1) concerning the obligation not to use.

Art. 2-1-(10) provides that imposing an obligation on the licensee to restrict his exploitation of the licensed technology to one or more technical fields of application covered by the licensed technology or to one or more product markets is not restrictive of competition.

It is considered from this provision that the licensor has the right to transfer KH for limited purposes, therefore imposing an obligation on the licensee not to use KH for other purposes may not be regarded as restrictive of competition. As Art. 2-1-(10) is considered as being premised on keeping KH secret, imposing an obligation on the licensee not to use KH for other purposes is considered restrictive of competition if KH becomes no longer secret.

(5) Licensee's improvements to KH

(5-A) Where the licensor's original KH and the licensee's improvements to KH cannot be separated:

That the licensor's KH and the licensee's improvements to KH are inseparable means that the exploitation of the licensee's improvements inevitably accompanies the use of the licensor's KH, which is as described in views of Japan.

To encourage exploitation of the licensee's improvements to KH is desirable in view of public interests, but this may make it difficult to secure the confidentiality of the licensor's original KH, and the possibility that the licensor may lose all cannot be disregarded. Then, it is considered that handling of the licensee's improvements to the licensor's KH should reasonably be similar to that of the licensor's KH.

Therefore, imposing obligations on the licensee not to use his improvements to KH, to keep them confidential, not to use for other purposes, and not to license them to third parties after the termination of the agreement is considered to be permissible so long as the licensor's original KH remains confidential, and is regarded as not restrictive of competition. If the licensor's original KH becomes publicly known, then such bans may be regarded as restricting competition and not permissible.

(5-B) Where the licensor's original KH and the licensee's improvements to KH are separable:

That the licensor's original KH and the licensee's improvements to KH are separable means that, contrary to the above case (5-A), the licensor's original KH is not utilized in exploiting the licensee's improvements to KH.

According to Art. 2-1-(4) and Art. 3-(2)-(b), the licensee is not prevented from using his own improvements to KH, or licensing his improvements to third parties where such licensing does not disclose the original KH of the licensor which is still confidential. This is because if the licensee were denied a possibility of benefitting from his own improvements after the termination of agreement, he would have less incentive to improve the technology, and potential

improvements which could increase competition on the market might therefore not be made. In addition, the ownership of the licensee's improvements to KH is considered to basically belong to the licensee, and Art. 2-1-(4) and Art. 3-(2)-(b) are considered to allow the same.

In sum, we believe that, so long as the licensor's original KH is not used in exploiting the licensee's improvements to KH, imposing obligation on the licensee not to use his improvements to KH, to keep them confidential, not to use them for other purposes, and not to license them to third parties after the termination of the agreement is considered to be restrictive of competition and to be not permissible, irrespective of whether the licensor's original KH is secret or not.

(6) Restrictions on dealing in competing products

Art. 3-(9) provides that restricting handling of competing products (research and development, manufacture, use and distribution of competing products) is restrictive of competition, provided, however, that the licensor is admitted to have the following right:

(a) Imposing an obligation on the licensee to make best efforts for exploiting the licensed technology;

(b) Terminating the exclusivity granted to the licensee if the licensee is engaged in competing activities;

(c) Checking if the licensed KH is not used in manufacture of products and services other than those licensed.

Therefore, restricting dealing in competing products is not permissible even after the termination of agreement.

## 5. Conclusion

Having studies the subject, we believe that the views of Japan and EC on the restrictive provisions which survive the termination of KH license agreements are almost the same albeit some differences. (EC's views are more explicit.)

This matter should be primarily examined from the standpoint of protection of KH and that of restriction on competition as well as of adjusting interests of the licensor and the licensee. We studied the matter by focusing on the aspect of restriction on competitions. Since the Japanese legal system is not fully competent concerning handling of KH, the above deliberation is largely based on doctrines, interpretations and assumptions.

The provisions which may become problematic after the termination of KH agreements are often influenced by the legal systems, legal doctrines, jurisdictions, interpretations, etc. of various countries except where they are clearly illegal and invalid. In order to avoid possible trouble in the future, it is recommended to make the provisions as clear-cut and detailed as possible. Particularly, regarding rights and obligations in the event the secrecy is lost, and handling of the licensee's improvements to KH separable from the licensor's original KH, they should be clearly prescribed by the provisions of agreements. In addition, the content and scope of KH should be defined precisely and detailedly in order to avoid possible disagreements over the confidentiality of KH and separability of the licensor's KH and the licensee's improvements to KH.

For the reasons stated in the beginning, we could not study the current status in the US; it is said that the US court tends to rely on the consent by the parties at the time of conclusion of the agreement as the basis of the court judgment. This is all the more reason why we should take interest in the present matter. We would like our US colleagues to report the current status of this matter.

It is desired to proceed with detailed analysis and studies on this matter from the viewpoint of protection of KH in the future.

Comparison of Current Anti-monopoly Regulations in Japan and EC Concerning Rights and Obligations of the Parties to KH License Agreements Surviving the Termination thereof

| | | Japan | EC |
|---|---|---|---|
| 1. Imposing obligation on license not to use licensed KH (original KH) | (1-1) Where original KH retains confidentiality | (1-1) Not violate anti-monopoly law | (1-1) Not fall under restriction of competition (Art. 2-1-(3)) |
| | (1-2) Where original KH loses confidentiality | (1-2) Likely to violate anti-monopoly law General Designation #8 (transactions with restrictive conditions) General Designation #10 (abuse of predominant position) | (1-2) (1) Illegal when KH becomes publicly known through licensee (?) (Breach of agreement) (2) Illegal when KH becomes publicly known through licensor or third party |

| | | Japan | EC |
|---|---|---|---|
| 2. Imposing obligation on licensee to pay royalties | (2-1) Where original KH retains confidentiality | (2-1) Not violate anti-monopoly law | (2-1) Not fall under restriction of competition |
| | (2-2) Where original KH loses confidentiality | (2-2) Likely to violate anti-monopoly law<br>General Designation #2 (discriminatory transactions)<br>General Designation #8 (transactions with restrictive conditions)<br>General Designation #10 (abuse of predominant position) | (2-2)<br>(1) Unclear when KH becomes publicly known through licensee (see Art. 2-1-(8))<br>(2) When KH becomes publicly known through third party;<br>*legal...within 3 years after publicly known (Art.2-1-(9))<br>*subject to examination by Commission...more than 3 years after publicly known (Art.4-2-(a))<br>(3) Illegal when KH becomes publicly known through licensor (Art.3-(5)) |
| 3. Imposing obligation on licensee to keep original KH secret | (3-1) Where original KH retains confidentiality | (3-1) Not violate anti-monopoly law | (3-1) Not fall under restriction on competition (Art. 2-1-(1)) |
| | (3-2) Where original KH loses confidentiality | (3-2) Obligation is exempted. Likely to violate anti-monopoly law | (3-2) Obligation is exempted. Fall under restriction of competition |

| | | Japan | EC |
|---|---|---|---|
| 4. Obligation not to use KH for other purposes | | (4) Similar to (1-1), (1-2) | (4) Similar to (1-1), (1-2) (See Art.2-1-(10)) |
| 5. Handling of improvements to KH by licensee | (5-A) Where inseparable from original KH | (5-A) Similar to handling of original KH<br>When original KH retains confidentiality, imposing obligations not to use improvements to KH, keep them confidential, not to use them for other purpose, and not to license them to third parties does not violate anti-monopoly law. When original KH loses confidentiality, it is likely to violate anti-monopoly law. | (5-A) Similar to handling of original KH<br>Various bans are legal if original KH retains confidentiality. Various bans are illegal if original KH loses confidentiality. |
| | (5-B) Where separable from original KH | (5-B) Various bans mentioned in (5-A) are illegal. | (5-B) Various bans mentioned in (5-A) are illegal. (See Art.3-(2)-(b) and Art. 2-1-(4)) |
| 6. Dealing in competing products | | (6) Violates anti-monopoly law (highly illegal) | (6) Fall under restriction of competition (See Art. 3-19) |

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# HARMONIZATION OF PATENT LAWS IN WIPO

Presented at PIPA 18th Congress
Japanese Group, Committee No. 3
Subcommittee on Harmonization

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## Abstract

WIPO is now discussing the issue of harmonization of patent laws in the world and expert meetings therefor have been held since 1984. The third meeting was held in March, 1987 and the fourth one is scheduled to be held in November this year. The intended harmonization covers not only the procedural aspect but also the aspect of substantive regulations. At present, a total of 12 items have been taken up for discussion and it is expected that further items will be added in future.

In view of the above activities of WIPO, we would like to introduce the present status of discussions on these items and at the same time, to express our views thereon.

## 1. INTRODUCTION

For the harmonization of patent laws in the world, expert meetings have been held in WIPO since 1984. The first expert meeting was held in May 1984, the second one in May, 1986 and the third one in March, 1987. During this period, the items to be discussed were added and at present, a total of 12 items have been taken up for discussion.

In the meeting held in March this year, the United States of America announced that it is planning to shift from the first-to-invent system to the first-to-file system to promote harmonization, in a proposal which attracted wide attention. This was proposed as a package solution with other important items, but we highly welcome this positive attitude of the United States.

Japan also positively supports harmonization, and our PIPA Japanese Group has followed the course and expressed its views from time to time. Now we would like to make a comprehensive review of the WIPO proposal, hoping that it will be of some help to our members.

As we do not have enough time to go into details, we attach at the end of this paper a copy of the draft harmonization treaty published recently by WIPO, on the basis of the discussion at the third expert meeting of WIPO.

The following are our comments, presented according to the order of the draft threaty provisions.

2. FORMAL REQUIREMENTS (Chapter I of Draft Treaty)

(1) Requirement for granting a filing date (Article 101)

The current draft treaty proposes the minimum requirements which should be satisfied by every application and the maximum requirements which can be additionally imposed in any Contracting State to grant an application date, and we consider that these requirements are basically acceptable.

However, we would like to comment on some of the points considered controversial at the third meeting, as follows:

(i) Drawings

The draft treaty prepared for the third meeting did not contain any provision regulating the case in which an application is not accompanied with drawings. However, in some technical fields, there are many instances when drawings are essentially important. Accordingly, when such an application is not accompanied with drawings refered to therein, it is desirable to stipulate that the applicant shall be given the same chance to supplement the drawings as provided in Article 14(2) of the PCT, so that the application may be deemed to have been filed on the date of filing the drawings.

The above proposal was added to the draft treaty amended for the coming fourth meeting (which is expected to be held in November, 1987) on the basis of the discussion in the third meeting, so that we think that the draft will now be acceptable.

(ii) Application not containing but refferring to the description of foreign application

There are some countries where an application is permitted which merely refers to another application, e.g., a foreign prority application, but does not contain any description of the invention (for example, an application by telex). A topic of discussion was whether such an application should be accepted with a due application date, if it satisfies only the above-mentioned minimum requirements and the required description is filed within a prescribed period. However, a basic principle of patent application procedure is to specify the content of the invention and describe it at the time of filing the application. Moreover, it is considered that complicated problems will arise if the content and scope of the later application do not correspond to those of the former application, and therefore, it appears to us that the introduction of the provisions regulating such applications is unnecessary in view of harmonization of patent laws.

According to the draft treaty amended for the fourth meeting, it is proposed to stipulate that each country is allowed and not obliged to premit the above procedures, and we consider that this proposal is a practical solution.

(iii) Electronic application

At present, the Japan Patent Office is promoting a paperless plan in cooperation with USPTO and EPO. It shuld be made clear that the future electronic application will be treated in the same manner as the paper application. For example, where a corresponding paper application is made in a second country, which does not accept an electric application based on an electronic application in a first country, it is still

necessary that a right to priority should be duly given to the application.

This point is not referred to in the draft treaty. Therefore, it seems necessary to confirm this point.

(2) Naming of inventor (Article 102)

It is proposed in the draft treaty that the name of the inventor should be indicated in an application, etc. Generally, this is considered adequate. However, it was decided that since this article is relatively unimportant, no further discussion should be undertaken thereon for the time being. Accordingly, it was not prescribed in the amended draft treaty for the fourth meeting, and is left open.

(3) Manner of description (Article 103)

The proposed draft stipulates only the basic requirements for a detailed description of the invention, and the requirements are considered substantially the same as those of the PCT and EPC. Therefore, it is considered adequate.

Next, according to the proposed draft rules, no description of the best mode as required under United States patent law is required. In this connection, we understand that the United States expressed in the third expert meeting that it may not insist that a best mode be included in the draft treaty.

Further, it is stipulated in the draft rules that the technical field of the invention, technical problem sought to be solved by the invention and a solution to the problem must be disclosed in the specification. However, the description of the "effects"("KOKA" in Japanese) of the invention as referred to in the Japanese Patent Law is not required as essential, although it is required to disclose "the advantageous effects, if any," of the invention. In addition, it is not clear whether the word "effects" in the draft rules

means the same thing as the "KOKA" referred to in the Japanese Patent Law.

In the third meeting, Japan asserted that the description of "effects"(KOKA) should be made essential, but the proposal was not supported generally so that the matter remains pending.

(4) Manner of claiming (Article 104)

In the proposed draft treaty, only a basic principle is stipulated for the description of claims, which comforms to those of the PCT and EPC. Therefore, it is considered adequate.

However, in the proposed draft rules it is not clearly indicated that multiple dependent claims should refer to other claims in the alternative, which should be clearly stated.

Further, the draft rules stipulate that multiple dependent claims may depend on other multiple dependent claims, but such a rule should be avoided (Rule 104 5(c)).

Although the United States and Japan indicated their comcern on the above points in the third meeting, they are not reflected in the proposed draft treaty, making it necessary to further assert these points in the coming fourth meeting.

(5) Unity of invention (Article 105)

This article stipulates that an application shall relate to one invention or a group of inventions so linked as to form a single general inventive concept. Therefore, it basically conforms to those of the PCT and EPC and is considered basically adequate.

Further, as to a more detailed and concrete treatment of this mather, a trilateral investigation by the USPTO, EPO and JPO is now underway, and we would like to follow these developements.

In Japan, a 1987 revision of the multiple claim system is scheduled go into effect in January, 1988,

making an application with multiple claims possible as in Europe and the United States. This new claim system will comply with this article.

3. PATENTABILITY AND EXCLUSIONS FROM PATENTING (Chapter II of Draft Treaty)

(6) Grace period (Article 201)

This article stipulates that even when the content of a patent application is disclosed prior to filing the application, if the application satisfies prescribed conditions, the application shall not be rejected or invalidated after the grant of a patent. The United States stresses that this is one of the basic principle to be adopted as a package solution along with the shift to the first-to-file system.

i. In order to obtain the benefit of a grace period, it is required that one who has first disclosed an invention must be either the inventor named in a later application or a third person who has obtained the knowledge of the invention from the inventor thereof. On this point, this article is to be construed as meaning that if a third person has invented the same invention independently and disclosed or filed an application prior to the filing date of the application by the first inventor, then the application by the first inventor will be rejected on this basis. This concept is different from the protection of the first inventor afforded under current United States law. (Is it so understand in the United States?)

ii. The benefit of a grace period is not limited to applications relating to the same invention earlier disclosed, but extends to obvious variations thereto. Although this relief is wider than the current Japanese Patent Law, we consider it adequate.

iii. An earlier disclosure of an invention can be permitted irrespective of whether it is made in writing, orally, by use or in any other way. This relief is also wider than the current Japanese Patent Law but we would like to support it.

iv. It is stipulated that the earlier disclosure of invention must have been made within twelve months prior to filing date of the application (or the priority date when priority is claimed).

First, the period is counted back from the priority date so that the applicant can enjoy the benefits of a grace period for subsequest filings in other countries. This secures the right of priority under the Paris Convention. Therefore, we would like to support it. According to the current Japanese Patent Law, the period is counted back from the actual filing date of a Japanese application so that the relief will be enlarged by this article.

As regards the grace period, there are alternative proposal of twelve on six months, but as this point is not an essential problem, an international agreement will be reached if a package solution is reached with the shifting to the first-to-file system.

v. Next, as to whether or not any formalities are required to enjoy the beneft of the grace period, the draft treaty is silent, and leaves this matter to the domestic law of each Contracting State. The current Japanese Patent Law strictly requires the presentation of written evidence, but we consider that this obligation may well be relaxed. On the other hand, it is considered that the notification of a prior disclosure should be required in order to clearly indicate to a third person that an earlier disclosure does not preclude the patentability of the application.

(7) Prior art effect of application (Article 202)

This article stipulates that an earlier unpublished application shall be considered effective prior art with respect to a later application from its filing date(or from the priority date where priority is claimed) only for purposes of determining lack of novely, provided that the content of the description included in the earlier application is later published.

The principle that the prior art effect extends to the priority date means that the Hilmer case in the United States is overruled and we welcome the United States' accceptance of this article.

It is proposed that a prior art bar shall not exist when the inventors are the same in both earlier and later application as well as when applicants are the same in both applications. This point is considered in the amended draft treaty as a matter requiring further discussion in the next meeting, and we hope that an agreement will be reached in the next meeting.

(8) Exclusions from patenting (Article 203)

This item was newly added in the third expert meeting and no draft article has been proposed yet. The International Bureau of WIPO is scheduled to present its draft after conducting a further investigation of the technical fields encluded from patent protection in each country.

Due to the differences of rules and policies relating to the exclusion of subject matter from patentability in each country, it is considered difficult to achieve harmonization in every technical field, but at least those inventions which are related to pharmceutical processes, food processes, mixtures of metals and alloys and chemical processes should be patentable, and each country should make every effort to ensure that inventions relating to pharmaceutical products, food products, chemical products, microorganisms, etc. are patentable.

4. RIGHT TO OBTAIN PATENT AND PATENT RIGHT (Chapter III of Draft Treaty)

(9) First-to-file system or first-to-invent system (Article 301)

The draft treaty proposes the adoption of the first-to-file system. In this connection, we would

like to express our deep respect to the United States for its courageous expression in the third expert meeting that it would be willing to shift from the first-to-invent system, which has prevailed since the establisment of its patent system, to the first-to-file system and we understand this expression as the manifestation of its zeal for harmonization.

The first-to-file system has the following advantages, and varions problems arising under the first-to-invent system would be solved.

i. It will expedite public disclosure of invention and promote technical progress, reduceing the possibility of duplicating research and investments.

ii. Under the first-to-invent system, the filing date is delayed so that the date of priority for a foreign application (generally in countries employing the first-to-file system) is also delayed thereby increasing the possibility of loss of patentability. This problem can be avoided under the first-to-file system.

iii. Under the first-to-invent system, the application may be filed within one year from the public disclosure of the invention, but it can not be filed in a foreign country requiring absolute novelty. On the other hand, under the first-to-file system, every application is basically filed prior to the public disclosure of the invention so that the above problem can be avoided.

iv. Under the first-to-invent system, evidence and records regarding the conception and reduction to practice of an invention must be prepared and kept for a long time, so that the inventor is prepared to prove an earlier date of invention, but the first-to-file system eliminates such unproductive work.

v. Under the first-to-invent system, a conflict of priority is usually subject to an interference procedure requiring much time, labor and expense, under which the Patent Office also bears large administrative

and economical burdens. However, under the first-to-file system, such unproductive disputes can be avoided.

vi. The actual date of invention of a patent is not known to the third party, so that it is sometimes difficult to judge accurately the relevancy of newly discovered prior art with respect to the validity of the patent. Accordingly, his business planning lacks certainty.

vii. Even for the patentee, there is always a possibility of third persons' claiming priority of their inventions, so that the patentee is reluctant to enforce his patent right, since it is difficult to investigate the existence of earlier inventions by the third party.

There are concerns about the first-to-file system, but we consider they can be alleviated.

i. It is said that under the first-to-file system, the number of application increases but it can also be said that the public disclosure of techniques is positively accomplished. Japan is often referred to as a country having a great number of applications, but this phenomenon is explained by the existence of strong competition in this country. Therefore, as shown in European and other countries adopting the same first-to-file system, it does not always follow that the number of applications increases remarkably.

ii. As to the criticism of insufficient disclosure of the invention, it can safely be said that even in countries adopting the first-to-file system, necessary and sufficient disclosure is usually made, because otherwise no patent will be granted to the applicant.

Further, it is possible to expand the description, when necessary, by means of a CIP application or domestic priority system.

The United States proposed that an intervening right or the like should be granted to the prior user of an invention under the first-to-file system. Basically, we agree with this proposal.

The Japanese Patent Law (Article 79) stipulates that a person who had been working an invention or making preparations therefor prior to the date of filing shall be granted a certain right to work the invention free of royalty. This might be a useful suggestion.

Anyway, it is highly welcome that although through the package proposal with other items, the United States has indicated a willingness to reform the domestic system from the standpoint of the international harmonization. This fact will stimulate and promote the world trend toward harmonization. Of course, there may be various counterarguments in the United States, but it is expected that an agreement will be reached there to accept the first-to-file system.

(10) Extention of process patent protection to products (Article 303)

This article intends to propose that the effects of a process patent should extend to a product manufactured by the process, and when the product is new, the use of the process shall be presumed and the burden of proof is reversed. This idea has already been accepted in many countries including Japan and as it is working well in practice, we in principle agree with this proposal.

However, the proposed article requires that the product should be obtained "directly" by the process, and we think it is unclear to what range the word "directly" extends. (Article 303(1) (a))

This article was once included in the draft treaty for the third expert meeting but it was deleted in the amended draft for the fourth expert meeting and the proposal was reserved. It is likely that such treatment of this issue was based on the opinions of

developing countries that the issue should be left to the meeting on the revision of Paris Convention, which is now discussing the same issue. However, we hope that agreement on this issue is reached and the article is introduced again.

(11) Interpretation of claims (Article 304)

In the third expert meeting, various opinions were raised on this issue, especially as to the equivalency theory, and it was finally decided that the International Bureau would revise the draft. In our opinion, the stipulation of only a basic principle as in the EPC would be enough for the draft treaty.

In the newly revised draft treaty prepared for the fourth meeting, only the principle of claim interpretation is given and the equivalency theory is deleted from the draft treaty. We think this proposal is acceptable.

However, several important points are included in the proposed draft rules, for example:

i In the draft rules, it is stipulated that the use of every essential feature of an invention shall constitute an infringment presumably on the assumption that an unessential feature may be included in a claim in addition to essential features. This seems to mean that an infringement may occur without the use of an unessential feature in the claim. (Rule 304(1)). Therefore, we fear that if this idea is accepted as a general principle, the interpretation of claim may become fluctuating and unstable.

ii The proposed draft rules stipulate that where a substitution of an equivalent of an essential feature functions in substantially the same menner and produces substantially the same result, the doctorine of equivalents shall be applied. It appears that the equivalency theory prevails in the United States but in Japan there are

discrepancies in theories and practice and we think it necessary to investigate this item further. (Rule 304(2))

iii It seems that the draft rules assume that the equivalent for substitution is not necessarily one known at the time of filing, but may be the result of a later development. (Rule 304(2), Notes d.) We think this is also a debatable point, and it will be necessary to deliberately investigate it further.

iv In the third meeting, the U.S. representative of PIPA made a proposal that contributory infringement should be included in the draft rules and the matter was left to the International Bureau. However, it is not touched upon in the amended draft treaty for the coming fourth meeting. This is said to be due to the reason that contributory infringement is beyond the question of claim interpretation. However, we think that the inclusion of the proposal in the draft rules in some form is nonetheless appropriate.

Since the interpretation of claims is considered to be a matter related to the historical background of each country and also since there may be different theories and judicial precedent among countries, it should be deliberately discussed so that each country may have a better understanding of it.

(12) Duration of Patents (Article 305)

This is the new item that was added for discussion at the third expert meeting and the search on the situation in each country had just been completed. Therefore, no concrete proposal has been made yet.

According to the investigation by the International Bureau, it is seen that there are comparatively many countries where the duration of the patent term is 20 years from the filing date (for

example, the U.K., France and the EPC). In other countries, it varies from 16 years, 15 years, 14 years, 10 years to 5 years counted from the filing date. Further, in some countries, the duration is counted from the date following the filing date (Germany, etc.), from the publication date (Japan, Korea, etc.), the date of public disclosure (Yugoslavia), the date of filing the complete specification (Australia, etc.) and the date of the grant of the patent (U.S. and Canada).

In addition to such a complicated situation, this item is related to the patent policy of each country so that this is one of the items that is difficult to coordinate.

We think that a duration of 20 years from the filing date is adequate at the present time although we have not reviewed it completely, because if the beginning of the patent term of 20 years is the publication date of examined application or the date of issue, the case would arise in which the patent right comes into effect more than 10 years after the application date and extends more than 30 years from the filing date. This does not match the current progress of technology. However, when much time is required to obtain government approval with respect to a pharmaceutical product or the like, suitable relief (e.g., an extension of duration) for the resultant lost period should be granted.

## 5. CONCLUSION

As regards the above-mentioned proposal for harmonization by WIPO, no concession has been reached between the developed countries and developing countries as to whether or not the proposal should be the subject of a treaty, or whether it should remain as a mere guideline. However, we hope that the harmonization proposal will be adopted as a treaty.

The upcoming fourth expert meeing is scheduled to be held in November of this year and WIPO is eagerly proceeding

with its activities so that we hope that a further progress will be made toward the harmonization of patent systems in the world. At the same time, we think that it is necessary for us to fully follow WIPO's activities and express our opinions, so that a desirable harmonization is attained.

End

ANNEX

(Excerpt from WIPO Document HL/CE/IV/2; July 21, 1987)

# DRAFT TREATY ON THE HARMONIZATION OF CERTAIN PROVISIONS IN LAWS FOR THE PROTECTION OF INVENTIONS


INTRODUCTORY PROVISIONS

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## CHAPTER I
## PROVISIONS CONCERNING FORMAL REQUIREMENTS OF PATENT APPLICATIONS

### Article 101
### Requirements for Granting a Filing Date

(1) For the purposes of granting a filing date to an application, any national law shall require that the application contain the following elements:

(i) an express or implicit indication that the granting of a patent is sought;

(ii) an identification of the applicant, as prescribed;

(iii) a part which, on the face of it, appears to be description of the invention for which a patent is applied for; however, any national law may provide that, where an application claims the priority of a previous application for the same invention, the said part may be replaced by a reference to the description contained in the said previous application, provided that the said part is filed within two months after the filing date.

(2) (a) Subject to subparagraph (b), for the purposes of granting a filing date to an application, any national law shall be free to require, in addition to the requirements laid down in paragraph (1),

(i) that the application contain a part which, on the face of it, appears to be a claim or claims;

(ii) that the application be filed in a certain language or in one of certain languages;

(iii) that, if the application refers to drawings, such drawings be included in the application, provided that, if they are not so included, the industrial property office shall notify the applicant accordingly and, if the applicant furnishes the drawings within the time limit fixed by the industrial property office, which shall be at least one month, the filing date shall be the date on which the drawings are received by the industrial property office and that, otherwise, any reference to the said drawings shall be considered as non-existent.

(b) Where the national law of a Contracting State contains, at the time that State becomes party to this Treaty, any of the requirements referred to in subparagraph (a), the Contracting State shall be free to repeal any such requirement at any time thereafter. Any requirement referred to in subparagraph (a) not provided for in the national law of a Contracting State at the time that State becomes party to this Treaty shall not thereafter be introduced in the national law of the said State, and any requirement referred to in subparagraph (a) which, at the time a State becomes party to this Treaty, was provided for in the national law of that State but which was thereafter repealed, shall not be reintroduced in the national law of the said State.

(c) At the time of becoming party to this Treaty, any Contracting State whose national law contains any of the requirements referred to in subparagraph (a) shall notify the Director General accordingly. The repeal of any such requirement in the national law shall be promptly notified in the same manner. The provisions of this subparagraph shall not apply to any such requirement contained in a treaty providing for the grant of regional patents.

(3) No requirements in respect of granting a filing date that are additional to or different from those set forth in the preceding paragraphs shall be allowed, with the exception of the requirement, in any treaty providing for the grant of regional patents, that an application for a regional patent contain the designation of at least one State party to that treaty.

## Article 102
## Naming of Inventor; Declaration Concerning the Entitlement of the Applicant

[ Reserved ]

## Article 103
## Manner of Description

An application shall contain a description. The description shall disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art.

## Article 104
## Manner of Claiming

An application shall contain one or more claims. The claim or claims shall define the matter for which protection is sought. The claim or claims shall be clear and concise, and shall be supported by the description.

## Article 105
## Unity of Invention

(1) An application shall relate to one invention only or to a group of inventions so linked as to form a single general inventive concept ("requirement of unity of invention").

(2) The requirement of unity of invention shall be construed as permitting the inclusion in the same application:

(i) of claims of different categories, to the extent prescribed in the Regulations;

(ii) of claims of the same category, to the extent prescribed in the Regulations;

(iii) of dependent claims and of multiple dependent claims, even where the features of a dependent claim or of a multiple dependent claim constitute in themselves an invention.

(3) Failure to comply with the requirement of unity of invention shall not be a ground for invalidation or revocation of a patent.

## CHAPTER II
## PROVISIONS CONCERNING PATENTABILITY AND EXCLUSIONS FROM PATENTING

### Article 201
### Grace Period

(1) A patent shall not be refused or held invalid under any national law by birtue of the fact that a disclosure was made which may affect the patentability of the invention that is the subject of an application for that patent or of that patent, provided that the said disclosure was made:

(i) by the inventor, or

(ii) by a third party, other than an industrial property office, based on information obtained from, or in consequence of acts performed by, the inventor, or

(iii) by an industrial property office in the form of an official publication, pursuant to an application filed without the consent of the inventor and based on information obtained from, or in consequence of acts performed by, the inventor,

and provided that the said disclosure occurred not more than 12 months before the date on which the application for that patent was filed by the inventor or, where priority is claimed, before the priority date.

(2) For the purposes of paragraph (1), "inventor" also means a co-inventor or the co-inventors as well as any natural person or legal entity other than the inventor who or which is entitled to the grant of a patent for the invention at the date of the application, such as his successor in title or an employer automatically entitled to the invention, and "third party" means any natural person or legal entity other than the inventor as defined in this paragraph.

(3) For the purposes of paragraph (1), "disclosure" means making available to the public by written or oral means, or by use or in any other way.

## Article 202
## Prior Art Effect of Applications

(1) The whole contents of an application as filed in, or with effect for, a Contracting State shall, for the sole purpose of determining the novelty, but not the inventive step, of an invention claimed in another application filed in, or with effect for, that State, be considered under the national law applicable in the said State as prior art from the date on which the former application was filed or, where priority is claimed, from the priority date for matter contained in both the former application and the application on which the priority claim is based, to the extent that the former application or the patent granted thereon is published subsequently.

(2) For the purposes of paragraph (1), "published" shall mean any first act of making available of the application to the public by reason of an official act, including any making available of the application to the public for purposes of public inspection without reproduction of the application, whether such act occurs prior to or by reason of the grant of a patent on that application.

(3) For the purposes of paragraph (1), "whole contents" of an application shall refer to the description and any drawings, as well as the claims, but not to the abstract.

(4) Paragraph (1) shall not apply to applications which were withdrawn prior to their publication but which were nevertheless pubished.

[(5) As regards international applications filed under the Patent Cooperation Treaty, any national law may prescribe that paragraph (1) shall apply only if the acts referred to in Article 22 or, where applicable, Article 39(1) of that Treaty have been performed. ]

[(6) Paragraph (1) shall not apply when the applicant of the former application [, or the inventor referred to in the former application, ] and the applicant of the application under examination [, or the inventor referred to in the latter application, ] is one and the same person. ]

## Article 203
## Exclusions From Patenting

[ Reserved ]

## CHAPTER III
## PROVISIONS CONCERNING THE RIGHT TO A PATENT AND THE RIGHTS CONFERRED BY A PATENT

### Article 301
### Several Applications Filed by Different Applicants in Respect of the Same Invention

Where two or more persons have filed applications in respect of the same invention, the application which has the earliest filing date, or, where priority is claimed, the earliest priority date, shall prevail.

### Article 302
### Rights Conferred by a Patent

[ Reserved ]

### Article 303
### Extension of Process Patent Protection to Products; Reversal of Burden of Proof

[ Reserved ]

### Article 304
### Extent of Protection and Interpretation of Claims

(1) The extent of the protection conferred by the patent shall be determined by the claims.

(2) The description and drawings shall be used to interpret the claims as to content, taking into account the general knowledge of a person skilled in the art at the filing date or, where priority is claimed, the priority date to which the claims are entitled.

### Article 305
### Duration of Patents

[ Reserved ]

End

PACIFIC INDUSTRIAL PROPERTY ASSOCIATION

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# UPDATE OF THE STATUS OF THE PROPOSAL TO CHANGE TO FIRST TO FILE

By

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## CHANGE TO FIRST TO FILE

Five years ago I was on ABA Committee 108 which was chaired by Pauline Newman. One of the subjects studied was whether or not the U.S. should change its procedure for issuing a patent to one of two or more rival applicants from first-to-invent to first-to-file. There was extensive debate at the ABA Annual Meeting. All of the classic arguments for and against first-to-file and for and against maintaining the present first-to-invent system were delivered. A resolution proposing that we change from first-to-invent to first-to-file was defeated by a 91 to 76 vote. At that time, I was in favor of retaining the present system of first-to-invent. I recently have become a convert to a change to first-to-file, however.

In that five-year period, a number of things have happened in my own experience and in patent practice in general which have changed my mind and, I think, the minds of many other patent practitioners. It is particularly interesting to note that five years ago one of the reasons proposed by the first-to-file advocates was that the U.S. should harmonize its patent system to the first-to-file patent systems of nearly every other country. This reason was generally ridiculed. The ridicule was understandably based on a reaction of why should the U.S. be "Mr. Nice Guy" and throw away a system filled with tradition and value merely because our friends in other countries didn't like it. Today, however, it isn't being just "Mr. Nice Guy". There appears to be an opportunity to not only adopt needed interference reforms, but also get some real value in return in the negotiations and discussions around harmonization. Moreover, the first-to-file advocates are making a stronger case for a change from first-to-invent on the merits alone, aside from the harmonization benefits.

This issue was debated for about three hours at the ABA patent section meeting in August in San Francisco, the same venue of the debate five years ago. The debate was of the highest quality and very comprehensive. Two first-to-file resolutions failed. One resolution passed.

A resolution which merely proposed a change to a first-to-file system was defeated 83 to 96, about the same ratio of negative votes as five years ago. A resolution which proposed a change to a first-to-file system with a limited protection for a prior user failed by an even larger vote, 68 to 100. The resolution which passed reads as follows:

RESOLVED, that the Section of Patent, Trademark and Copyright Law favors in principle consideration of amendment of the United States Patent Laws to provide that, except in cases of derivation, the first-to-file a patent application among rival applicants for the same invention is the applicant entitled to the patent, provided that the foregoing be part of a harmonization package wherein other countries agree to changes in their patent systems beneficial to United States applicants.

This passed by a vote of 92 to 53, almost a 2 to 1 ratio. Note the softened language. The Section only favors consideration of a change and with a clear provision that harmonization terms beneficial to the U.S. are agreed to.

One of the reasons I personally had five years ago for not changing to a first-to-file system was that the Patent Bar was this: The Patent Bar should

give the Patent Office a chance to work out a reform of the traditional interference practice and then give the reform a decent test to determine if a change to first-to-file was really necessary. It seemed only fair to see if some of the objections to interference practice could be overcome before debating a drastic change. The Patent Office worked long and hard to develop such reforms. I think that they did about as good a job as could be done. I believe that the new rules are successfully cutting back the amount of time an interference takes and have effected an improvement in the manner of taking testimony. However, I believe that the new rules continue nearly all of the same problems of hypertechnicality and traps for the unwary that existed in the old rules. Even after we get used to the new rules, I think that these problems will continue. I think that there will be too many situations where patents are granted, not on the merits of who was first-to-invent, but on some technical trap resulting from rule, upon rule, upon rule, that patent solicitors must follow. The estoppel traps give me particular concern.

Another major reason, in my own personal experience, for converting from first-to-invent to first-to-file involves the important factor of certainty for a patent owner, such as my own company. The first-to-invent system creates uncertainty in several areas. In infringement suits, a desperate and determined defendant often spends considerable time developing a defense that the patentee was not the first and original inventor and is, therefore, not entitled to the patent. How can a patentee plan on being able to use his patent if the threat of an earlier, and secret or semi-secret, prior inventor defense is hanging over the patent. There is no way that a patentee can search this kind of art, if it is really art. When the accused infringer pokes

around in the patentee's own records and finds knowledge of some earlier work, not only is the prior inventor defense used, but it is usually accompanied with accusations of fraud. The plaintiff patentee is apparently supposed to have had a duty to check all the notebooks to see if anybody did any earlier work. It is fraud to name "Jones" as the inventor when "Smith" did about the same work a couple of years earlier.

Aside from prior invention defenses in infringement suits, patentees face the classic interference uncertainty. It's common these days for the Patent Office to issue patents without making the traditional thorough interference search. The patent may be issued to an applicant, who knows nothing about a co-pending case on the same invention. The patentee thinks that he's all set with an issued patent. All of a sudden, claims are copied, sometimes by an earlier applicant, sometimes by a later applicant. Then things get bogged down in an interference. The patentee goes from a position of certainty, with an apparent useful proprietary position, to a changed position filled with uncertainty, lasting several years, even under the new interference rules.

A change to first-to-file won't eliminate all of this uncertainty, but it should significantly reduce it and also shorten the time that it takes to sort out who, among rival applicants, is entitled to the patent. There will still have to be interferences because there will be arguments over who's disclosure is earliest and who's disclosure supports the disputed patent claims. The new interferences should, however, be much more direct, certain and prompt determinations than the old priority contests.

The principal argument in favor of changing to first-to-file is elimination of the burden, expense, frustration, uncertainty and delay involved in the current priority contest practice. Much of the effort expended in interferences is wasteful, particularly in view of the statistics that the senior party, that is first-to-file, wins 75% of the time or more. The maintenance of endless technical records for the purpose of proving priority of inventorship, corroboration and diligence as backup for all applications is a wasteful and time-consuming effort. Less than 1% of all applications get into interference. The costs of interferences are simply not worth the benefits. Moreover, the determination of priority in the first-to-invent system is often based on procedural technicalities, rather than the actual merits.

A change to a first-to-file procedure should permit improvement in the examination system itself. These would come from such improvements as elimination of Rule 131 and reform of 35 U.S.C. 102(a), (e) and (g). The original inventor, of course, will be protected from a non-inventor derivor under 35 U.S.C. 102(f) regardless of order of filing.

Most U.S. corporations have at least some multi-national interest, even if it's only Canada which is about to go to the first-to-file system itself. Therefore, U.S. corporations operate, as a practical matter, on a first-to-file system, because they must plan on being first in the first-to-file countries. Therefore, they must file promptly here in the U.S. Prompt filing of patent applications should be encouraged as a matter of public policy. One of the basic principles of the patent system is the encouragement of early publication of new technology in return for the patent grant. The absolute novelty requirements of other countries also pressure U.S. companies to prompt filing

much of the time. They must file before public testing, publication and offers for sale.

Let me list briefly some of the classic objections to a change from a first-to-invent to a first-to-file system:

It would have a bad effect on small inventors with limited resources.

It would result in hasty and sloppy application drafting with limited data or support.

It would increase the number of original patent applications and continuations-in-part.

It will increase the burden on the Patent Office.

It's unfair to have a race to the Patent Office.

It would eliminate the advantages that U.S. applicants now have in priority contests with foreign inventors.

A new system would be too disruptive of the existing substantive patent law.

A change to first-to-file is unconstitutional.

It would decrease the income of patent practitioners who bill a lot of hours in connection with interferences. It would also expose them to malpractice problems.

The greatest concerns of the opponents to first-to-file focus on the individual inventors and small corporations, where many of the most significant inventions are made. They would, in the view of the critics, be forced to file before their inventions are tested and perfected. Their applications would not be well prepared. Many unnecessary applications would be filed.

The grace period that we have today would lose its value in protecting the individual inventors. There is great fear that derivation or theft of inventions will increase. The devious derivors will rush to file first or will simply publish before the original inventor files in order to defeat any patent rights at all. The critics claim that a change to first-tofile will cause the small inventor to waste money on filing, the Patent Office will be swamped with poorly drafted applications which will probably not protect the inventor anyway because of derivation problems.

The small inventor is actually at a disadvantage in our present system because the inventors from large corporations have the resources to maintain the expensive and extensive records necessary to prove priority. The small inventor, even if he's first-to-invent and first-to-file, may not have the money to fight the interference and may not have the records to win it. Moreover, he may not have the clever lawyers needed to deal with the ultra-technicalities in our present interference practice. A change to a first-to-file system should help the smaller inventors.

It would benefit the smaller inventor to be encouraged to file more promptly. This will prevent him from loss of foreign rights and put him in a better position to attract investment capital or sell his technology to a large corporation. There are an increasing number of cases where important inventions made by smaller inventors have been dedicated to foreign interests because of blind reliance on a first-to-invent system and/or a grace period. U.S. corporations who buy inventions want worldwide rights, not a bare U.S. patent. It will be good for the economy of the U.S. to discourage the free dedication of important technology to foreign interests.

The fact that most U.S. corporate applicants have been operating, as a practical matter, under a first-to-file system has largely, I believe, eliminated the concern about sloppy and hasty patent application drafting and insufficient support. I believe that all patent practitioners have, for many years, been filing well-drafted applications based on adequate information. Moreover, the filing of continuations-in-part within the first 12 months or so after filing is such a well-established practice and that a change to first-to-file won't change the quality and timing of most patent applications. Smaller technology corporations and individuals would be well advised to take similar approaches.

In recent years, foreign inventors from multi-national companies have become more and more sophisticated in getting data and products into this country to provide a basis for advantages in first-to-invent priority contests. Therefore, the 35 U.S.C. 104 advantages of the domestic inventor are being eroded.

I don't believe that there will be any additional burden on the Patent Office either. In fact, elimination of priority contests, based on first-to-invent principles, should be a welcome change to the Patent Office. Even though there still will have to be some sort of an interference procedure at the Board of Appeals level to resolve disputes over who was the first-to-file, it will be a much simpler, straightforward and efficient procedure than the current system.

I think there is plenty of work for the Patent Bar without worrying about the economic effects of eliminating first-to-invent interferences. There

will still be plenty of work for practitioners in the prosecution and appeal of patent applications and in engaging in a new type of interference, based on first-to-file principles.

There is nothing in the Constitution which requires issuing a patent to the first inventor. The concept of the first inventor can't be found in the Constitution. It merely refers to inventors, not first inventors. We haven't been in a complete first inventor system for years because the first inventor in fact, is not the first inventor in law. The requirements of corroboration and diligence, and the prohibition of using priority proofs, based on acts outside the United States, often eliminate the first inventor in fact. The strong presumption that the first-to-file is also the first-to-invent is a powerful factor.

An argument has been made that private practitioners, as well as corporate practitioners, are going to be subjected to malpractice problems. A private practitioner would be sued or a corporate practitioner would be fired in a situation where a patent application wasn't filed diligently and a valuable proprietary position was lost, because the rival applicant got to the Patent Office first. I believe that this problem is exaggerated. I believe that for a long time private and corporate practitioners have had a duty to file diligently, because of the advantages of being senior party and because of the pressure of establishing an early date for purposes of foreign filing. Patent practitioners, private or corporate, ought to be able to protect themselves by frank and open communications with a client in setting priorities. If a private practitioner is very busy, or is planning vacation, or has to be in trial, then the proper thing to do is to put it to the client that there may be a

delay and offer an alternative drafting and filing resource. The corporate practitioner should work with his technical managers to establish priorities and the client can be informed as to the risks that might be involved. No patent lawyer can give each inventor instant certainty by filing a patent application the moment the invention is reduced to practice and is brought into the lawyer's office.

The most appealing argument in favor of retaining the first-to-invent tradition is that an inventor's invention date appears to be the simplest and fairest way of determining the right to a patent. It is something that theoretically cannot be taken away from the inventor. If he is first, he gets the patent. If he is not, is no one's fault, it's merely someone else's good fortune. This has significant sentiment and tradition. It places the individual in a superior position over the impersonal formality of a race to the Patent Office. In a first-to-file system, this simple fairness can be distorted by events beyond the inventor's control such as how busy, alert or lazy is patent lawyer is. In practice, however, this simple concept has been lost in complex procedure and significant uncertainties. In other words, I believe that the current first-to-invent concept costs much more than it is worth.

Another concept, which has regularly been associated with a change to a first-to-file system, is what to do with the person who makes an invention before the applicant who is first-to-file. Some have proposed that the first inventor should be given a private right to practice. But the next question is: "In what context should this right be defined? Is it given to any independent inventor who happened to invent before the filing date of the first-to-file, or would this first inventor have to have made the invention

before the invention date of the first-to-file applicant?: As you can see, it would be easy to get back into an old priority contest, based on first-to-invent principles. On the other hand, it would hardly be fair to give this right to anyone who happened to have made the invention prior to the filing date of the patentee. THis could lead to abuse and uncertainty. Why should an inventor, who didn't think it important to file a patent application and operate within the system, be given any advantage over someone who uses the patent system with the ultimate beneficial result of disclosing his technology to the public? Secret inventors hardly deserve anything.

The most reasonable approach to this concept of fair play appears to be the grant of a personal, possibly non-assignable right to practice to someone who independently made and commercialized, or made plans to commercialize, an invention before the first applicant filed. You may ask, "If this private right person actually commercialized the invention, why doesn't it bar the patent application of the first-to-file applicant?" That may be true some of the time, other times it may not. For example, the grace period may help the first applicant, or the commercial use might have been in secret and, therefore, not have a barring impact. Of if it is preparation for commercial use, it would probably be a secret and, therefore, not a bar. The burden of proof would probably be easier establishing for the personal right than for invalidity.

Some argue against this private prior user right, even as restricted, on the basis that anyone who chooses not to use the patent system cannot be heard to complain if someone who does use the patent system comes along and is first-to-file and gets the patent. On the other hand, most foreign

countries provide for this prior right. Moreover, many in the U.S. are concerned about eliminating all vestiges of the first-to-invent principles. The concept of a personal right for a prior user was voted down at the ABA meeting in 1982 and again voted down in 1987. Its critics characterized it as an unconstitutional intrusion on the right of a patentee to exclude others. It was likened to a compulsory license. It was distinguished from the concept of intervening rights in broadened reissue patent situations. I believe, however, that nearly all of those who are in favor of first-to-file will also insist that prior users be protected in some appropriate fashion. The drafting of a prior user provision will require considerable thought and care.

If we change to a first-to-file system, the questions are asked: Where will these ancillary matters be handled? Where will it be decided who was first-to-file? What about derivation? What about the private right for an earlier inventor? It seems clear that the decision on who was first-to-file, based on filing dates, should be handled in the Patent Office. The private right issue should be handled in the courts, not the Patent Office, because of the kinds of proofs that would be involved. It's a toss-up as to where derivation issues should be handled. They are usually very contentious and involve complicated proofs. They are probably best handled in the courts, rather than in the Patent Office. If a patent issues and a rival thinks that the invention has been stolen, I believe that provisions should be made for the rival to bring that issue into the courts. It would be an expedited and relatively straightforward procedure, however, in order to avoid abuse, either by a patentee derivor or a false accuser.

There are other related matters that should be considered in any new legislation directed to the first-to-file concept. All aspects of sequence of invention would be eliminated from 35 U.S.C. 102. Of course, 35 U.S.C. 102(f) would be retained. 102(f) denies a patent to an applicant who did not himself invent the claimed subject matter.

As regards 102(a), it would make no difference if the invention was known or used by others in secret before the invention by the applicant. 102(a) and 102(b) could be combined to bar a patent to an applicant where the invention was known or used in public or published before the applicant's filing date, unless, of course, such knowledge, use or publication was by the applicant, or derived from the applicant, within the one-year grace period. The situation would probably best be handled in the Patent Office by a practice similar to Rule 131. Instead of establishing an invention date under present Rule 131, however, the affidavit would establish the source of the cited knowledge, use or publication.

In the event an independent inventor publishes an invention before the filing date of the rival applicant inventor, and without a patent application, the applicant is out of luck, even though he might have been the first inventor in time.

35 U.S.C. 102(g), which forms the basis for priority contest based on invention dates, would simply vanish. There also would be no need for 35 U.S.C. 104, which limits proofs of invention dates to acts in the United States.

The first priority appears to be the action of the Bar and the Patent Office agreeing on the merits of the basic issue of changing from a first-to-invent to first-to-file system. I believe that this has happened. This was debated and agreed to in the context of harmonization. At this time, I believe that those in the Patent Bar who favor a change to first-to-file without hedging it with harmonization concessions are in the minority. The majority say, "Let's change to first-to-file, but only if we can get significant concessions from foreign countries in the harmonization negotiations". There may be a minor variation, however, in those who say, "I think we should probably eventually change to first-to-file on its own merits, but as long as we are making the change, let's obtain some extra mileage from it by getting significant concessions from the foreign countries." Either way, it seems clear from the San Francisco ABA debates, that the patent bar has firmly connected first-to-file with harmonization concessions.

These concessions principally include the international grace period, an adequate term of patent protection and patents in all technological fields. Many feel that a number of European countries see the value of a grace period on its own merits, but are too stubborn to agree to it as long as the U.S. continues with the disliked first-to-invent interference system. The term-of-patent problem is mostly in the non-industrialized countries, but it is an important problem. The scope of protection problem is also extremely important. Many seek some reform in the area of compulsory licenses as an additional part of harmonization.

Even with the 92-53 vote favoring first-to-file as part of a harmonization package, there are many influential patent lawyers who will defend the

present first-to-invent system to their last breath, regardless of harmonization concessions. These include two former Commissioners of Patents. Many others will require maximum harmonization concessions before agreeing to a first-to-file system.

In conclusion, I believe that the inventor and his assignee are better served by the certainty and simplicity of first-to-file, along with harmonization benefits, than the uncertainty and complexity of first-to-invent, even with the strong sentimental appeal of the latter.

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RCW/ebh

# LAYING-OPEN AND DEFERRED EXAMINATION SYSTEMS IN VIEW OF HARMONIZATION

Presented at PIPA 18th Congress
Japanese Group, Committee No. 3
Subcommittee on Laying-open and Deferred Examination Systems

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## Abstract

Laying-open and deferred examination systems are effective to remove various undesirable influences caused by the delay in examination, and also effective to accelerate the examination, and improve the quality of the examination. Canada is planning to revise its patent law to adopt both systems and the United States is studying adoption of the laying-open system, etc. These movements are welcomed from the viewpoint of harmonization. This report introduces how these systems are operated in Japan in a hope that this report will be helpful to the countries having a plan to adopt the systems, particularly to the United States. Some comments are also made on how these two systems should be operated based on our experience.

## 1. Introduction

The laying-open system and/or deferred examination systems have been adopted in major countries of the world. The first was Australia in 1963 and recent ones are China in 1985 and Malaysia in 1986. There is a movement in Canada to adopt the laying-open and deferred examination systems. In addition to this, it is truly welcomed in view

of world-wide harmonization that the United States is studying introduction of the laying-open system and others.

The laying-open system is to open the applications to the public after expiry of prescribed period and to remove undesirable influences, including overlap in researches, R&D investments and patent filings, caused by delay in examination. The objective of the deferred examination system is to select the applications to be examined, shorten the examination period and improve the quality of the examination by providing an opportunity to review the filed applications within a prescribed period.

These two systems are separate systems, but they are like the two sides of a coin from the viewpoint of excluding undesirable influences of delays in examination. When they complement each other, the patent system may function as originally intended.

It is about 17 years since Japan implemented both systems in 1971. Our experience over these years in Japan as well as in other countries with similar systems may be of interest for those countries studying the introduction of the systems.

This paper reports on the result of a questionnaire survey conducted among 30 Japanese PIPA member corporations (10 each from electric, mechanical and chemical industries) on the occasion of PIPA Baltimore Conference concerning their use of the two systems and some comments on how they should be operated.

## 2. Outline of Systems in Various Countries

Since the laying-open and deferred examination systems are deemed to work interrelatedly to remove the undesirable influences caused by delays in examination, many countries now adopt both systems. China recently

adopted the two systems, and Canada is planning an amendment of Patent Law proposing a change from the first-to-invent system to the first-to-file system with adoption of these two systems.

On the other hand, there are countries which have adopted the laying-open system but not the deferred examination system, and those which adopt the latter but not the former. At any rate, we cannot deny that the global trend is toward adoption of the laying-open system and/or the deferred examination system. Annex 1 shows the outline of the systems in the major countries.

## 3. Status of Use of Laying-open and Deferred Examination Systems in Japanese Corporations

As discussed above in 2, the laying-open and deferred examination systems are adopted in many countries. We conducted a questionnaire survey among Japanese corporations to understand how they evaluate and utilize these systems in the world. Out of 30 Japanese PIPA member corporations (10 each from the electric, mechanical and chemical industries), 29 responded to the questionnaire. Annexes 2 and 3 show the results of the survey.

### 3.1 Laying-open System

#### 3.1.1. Use of Laid-open Publication

To the question of what are the purposes of using laid-open publications (KOKAI KOHO), the following 4 answers took precedence.

(1) As search materials on R&D trends of competitors
(2) Countermeasure for competitors' patent applications expected to mature in the future
(3) As prior arts used in opposition and invalidation proceedings

(4) As materials to learn the general technical trends

As the above answers show, the laid-open publications have been effectively used mainly as technical and patent information.

3.1.2 Timing of Laying-open

Ninety percent of the responses indicate that period of 18 months between the filing or priority date and laying-open date is appropriate. This suggests that the current 18-month period in the major countries is appropriate.

3.1.3 Merits and Demerits of the Laying-open System

3.1.3.1 Merits

Merits of the laying-open system are closely related to the objects of use of laid-open publications. Following three answers accounted for 68% which show that the merits of the system are well appreciated.

(1) Possible to learn filing status and R&D trends of competitors at an early stage
(2) Possible to avoid overlap in researches, R&D investments and patent applications
(3) Possible to take early countermeasures such as opposition and invalidation proceeding against competitors' applications

3.1.3.2 Demerits

What we should focus here is that applicants are subjected to a time constraint for filing related applications before the prior application is laid open as indicated by the answer to the questionnaire. This point also concerns the time constraints on R&D.

The opinion that the details and directions of R&D would be caught up by competitors at a comparatively early stage is pointed out as the top demerit. This is exactly the other side of the coin of the merit that one learns the

R&D and filing trends of others at an early stage, and is considered as unavoidable under the nature of the laying-open system.

3.1.4 Practical Problems Encountered in Countries (including the United States) without Adopting the Laying-open System

Following two points were pointed out based on the past experience which make the other parties difficult to establish their countermeasures in advance against patents in question which might be issued in the future.

(1) Impossible to make early decision because no information is available with regard to existence of earlier patent applications, status of patent applications in question, etc.

(2) Patent was issued after a considerable number of years since filing which presented serious difficulties in making countermeasures.

3.1.5 On Adoption of Laying-open System in the United States

Annex 4 shows, as an example of (2) of 3.1.4., the number of years from the dates of filing in the United States vs. the number of issued patents in respect of 6,905 US patents issued in January, 1987.

As is clear from Annex 4, about 45% of patents were issued within 18 months since US filing. About 90% of patents were issued within 3 years, and about 10% after 3 years. Early issue of U.S. patents seems to have somewhat similar effect to early publication of applications. However, one year must be added to the above-mentioned number of years in case of counting from the priority date. At any rate, existence of 10% of patents, which were issued after 3 years or more, is a serious problem.

We believe that the current problems mentioned in (1) and (2) of 3.1.4 above will be eliminated by adoption of the laying-open system in the United States.

3.2 Deferred Examination System

3.2.1 Timing of Request for Examinations

As is clear from the result shown in Table 1 of Annex 3, quite a number of respondents indicated that they file requests simultaneously with filing of applications in countries other than Japan. The reasons given therefor are that the planned foreign filings are required to be patented at early dates, and they are subjected to severe selection in respect of their importance and patentability.

3.2.2 Merits and Demerits of Deferred Examination System

3.2.2.1 Merits

The following 4 answers accounted for 93%.

(1) Request for examination can be filed depending on the timing of R&D trend.

(2) Examination is accelerated and early issue of patent becomes possible as applications are subjected to severe screening at the stage of filing request for examination.

(3) Request for examination can be filed only where necessary.

(4) Request for examination fee can be saved on unnecessary applications.

The above (1) is attractive to applicants because they can obtain patents more effectively and can operate their patent management more flexibly. The items (2) and (3) contribute to decrease the number of requests for examination by severe screening, to accelerate the examination and to improve the quality of the examination. Thus the deferred examination system is necessary for

efficient and economical management of the patent system.

3.2.2.2 Demerits

Deferred examination system induces the screening of applications as is indicated by the responses. It makes the management and procedures more complicate, and gives unfavorable influences on a business plan due to delay in confirmation of competitors' patent applications in question. However, the latter may be solved by providing third parties with a right to file a request for examination like in Japan.

3.2.3 Period of Request for Examination

The survery shows that 15 corporations (52%) affirmed up to 5 years from the date of filing would be appropriate as the period for filing request for examination, while 13 corporations (45%) affirmed 7 years. It should be noted that the majority affirmed that the period for filing request for examination does not have to be too long.

3.2.4 On Adoption of Deferred Examination System in the United States

To the question whether the United States should adopt the deferred examination system or not, 9 corporations (32%) answered that the system could remain unchanged while 19 (68%) affirmed the adoption. Many of the latter opinions cited harmonization as the ground.

## 4. Problems Encountered under Both Systems

### 4.1 Problems in Laying-open System

(1) Survey costs and management work are influenced by increased information.

This problem seems to come from the following factors which induce the laying-open system to increase the number of filed applications.

(a) Corporations are compelled to file defensive patent application to prevent competitors from obtaining relevant patents.

(b) Corporations are compelled to file immature inventions as they are stimulated by competitors' laid open publications.

(2) Negative influences on strategic management of applications

The following undesirable advantages are given to the competitors under the laying-open system.

(a) Encouragement of participation by late comers

(b) Disclosure of R&D strategy to competitors

(c) Increase of improved inventions by competitors

These are demerits for private enterprises and individuals. However, when viewed from the national interests, they may turn to desirable advantages because activation of nation-wide R&D activitiets is expected.

4.2 Problems Encountered under Deferred Examination System

(1) Time and labor are consumed in determining whether a request for examination is filed or not.

(2) Confirmation of the status and scope of competitors' applications is delayed.

(3) No remedy is available after expiry of period for examination request.

(4) The number of patent applications increases.

This may be due to increased defensive applications resulting from separation of filing fee and examination fee.

Adoption of the first-to-file system and laying-open system will activate R&D activities and result in the increase in number of applications. The applications of

foreign applicants are different from that of domestic applicants in that they have been subjected to review at the time of filing. To have the examiners examine all the applications filed without such review may cause losses in money and time to the state.

## 5. Conclusion

### 5.1 Laying-Open System

The Laying-open system is effectively utilized in Japan and European countries. The move toward the adoption of this system in the United States is welcomed.

If the United States adopts the laying-open system, problems mentioned in (1) and (2) of 3.1.4 would be eliminated. Thus, we strongly wish the United States adopt the laying-open system.

However, we cannot agree to give a right to applicants for preventing the application from being laid-open without providing any restriction as proposed in Commissioner Quigg's proposal. To give such a right enables to keep the application intentionally in secret is against to the original purpose of the laying-open system. We wish careful consideration on the provision of such right in the course of adoption of the laying-open system. Further, we wish that a provision of compensation after the laid-open will be considered. Introduction of such provision would be helpful in compensating demerits of the laying-open system discussed in (2) of 4.1.

### 5.2 Deferred Examination System

We believe it is worthwhile for the United States to study adoption of the deferred examination system concurrently with the laying-open system. It is appreciated that the US Patent & Trademark Office is

endeavoring to shorten the examination time. However, economical and technical value of invention will often change after filing because of emergence of new technology or design. This is also likely in the United States. Therefore, introduction of deferred examination system in the United States must be worthwhile.

In the countries where the deferred examination system has already been adopted, the period of request for examination varies from 6 months from date of laid-open to 7 years from date of filing. Harmonization among countries concerning this period will be made in the near future.

[ANNEX 1] Table of Laying-open & Deferred Examination Systems

(in order of date of enforcement)

| Country (Date of enforcement) | Time of laying-open Accelerated publication by request (Ac. publn.) | Deferred examination (Deferment period: from filing date unless otherwise stipulated) |
|---|---|---|
| Australia (May 1, 1963) | *18 months from filing or priority date *(Ac. publn.) Yes (At 3 months or later since submission of complete specification) | *Within 5 years from date of submission of complete specification (by applicant alone); 6 months from the date of order by director-general of the Patent Office, if any. (Effective from Jan. 1, 1970) |
| Netherlands (Jan. 1, 1964) | *18 months from filing or priority date *(Ac. publn.) Yes | *Novelty search: within 7 years *Substantial examination: within 7 years *May be requested by any person |
| Sweden (Jan. 1, 1968) | *18 months from filing or priority date *(Ac. publn.) Yes | None |
| Denmark (Jan. 1, 1968) | *18 months from filing or priority date *(Ac. publn.) Yes | None |
| Norway (Jan. 1, 1968) | *18 months from filing or priority date *(Ac. publn.) Yes | None |
| Finland (Jan. 1, 1968) | *18 months from filing or priority date *(Ac. publn.) Yes | None |

: continued

| | | |
|---|---|---|
| West Germany<br><br>(Oct. 1, 1968) | *18 months from filing or priority date<br>*(Ac. publn.) No | *Novelty search: within 7 years<br>*Substantial examination: within 7 years<br>*May be requested by any person |
| France<br><br>(Jan. 1, 1969) | *18 months from filing or priority date<br>*(Ac. publn.) Yes | *Novelty search: within 18 months (Request may by deferred by 18 months; if request is not submitted within 18 months, patent application is converted to utility model)<br>*May be requested by any person |
| Japan<br>(Jan. 1, 1971) | *18 months from filing or priority date<br>*(Ac. publn.) No. | *Patent: within 7 years<br>*UM : within 4 years<br>*May be requested by any person |
| Brazil<br>(Dec. 31, 1971) | *18 months from filing or priority date<br>*May be extended upon petition | *Within 2 years from lay open date<br>*May be requested by any person |
| Mexico<br><br>(Feb. 11 1976) | None | *Novelty search: within 90 days after expiration of 1 year<br>*By applicant only |
| Great Britain<br><br>(June 1, 1978) | *18 months from filing or priority date<br>*(Ac. publn.) Yes | *Novelty search: within 1 year from filing or priority date<br>*Examination request: within 6 months from lay open date (may be extended by 1 month)<br>*By applicant only |
| EPC<br><br>(Oct. 1, 1977)<br>(Acceptance; June 1, 1978) | *18 months from filing or priority date<br>*(Ac. publn.) Yes | *Novelty serach: within 1 month<br>*Examination request: within 6 months from publication of search report) |

: continued

| | | |
|---|---|---|
| Republic of South Africa (1978) | *18 months from filing or priority date<br>*(Ac. publn.) No | None |
| Italy<br>(Aug. 22, 1979) | *18 months from filing or priority date<br>*(Ac. publn.) Yes<br>Application is laid open after at least 90 days from filing date | None |
| Republic of Korea (Sept. 1, 1981) | *18 months from filing or priority date<br>*(Ac. publn.) No | *Patent: within 5 years<br>*UM : within 3 years<br>*May be requested by any person |
| Socialist Federal Republic of Yugoslavia (Dec. 28, 1981) | *18 months from filing or priority date | *Within 4 years from lay open date<br>*May be requested by any person |
| China<br>April 1, 1985) | *18 months from filing or priority date<br>*(Ac. publn.) Yes | *Substantial examination: within 3 years (from priority date)<br>*By applicant only |
| Malaysia (Oct. 1, 1986) | None | *Substantial examination: within 18 month |
| Canada (not decided) | *18 months from filing or priority date<br>*(Ac. publn.) Not decided | *Period: not decided<br>*May be requested by any person |

[ANNEX 2] Questionnaire and Answers on Laying-open System

1. Status of Use

For what purposes do you use laid-open publications under the laying-open system? Please choose pertinent answers from the following list. (Up to the top 4 answers)

(1) Purpose of using laid-open publications

| Items | Electric | Mechanical | Chemical | Total |
|---|---|---|---|---|
| As search materials on R&D trends of competitors | 5 | 8 | 9 | 22 (19.1%) |
| Countermeasures for competitors' patent applications expected to mature in the future | 5 | 10 | 7 | 22 (19.1%) |
| As prior arts used in opposition and invalidation proceedings | 8 | 6 | 5 | 19 (16.5%) |
| As materials to learn the general technical trends | 7 | 5 | 6 | 18 (15.7%) |
| As references in setting R&D themes | 4 | 4 | 6 | 14 (12.2%) |
| As prior arts in eventual opposition proceedings, etc. in the event of publication of laid-open application by third party | 5 | 3 | 4 | 12 (10.4%) |
| As references in encouraging new inventions within own company | 1 | 1 | 3 | 5 (4.3%) |

: continued

| | | | | |
|---|---|---|---|---|
| As ground in asserting own rights in warnings, etc. to third parties | 0 | 0 | 0 | 0 |
| As ground in asserting own patent rights over invention disclosed in laid open publication of third party | 0 | 0 | 0 | 0 |
| Others (specify) | 1<br>Prior art search | 2<br>Prior art search<br>Information offering | 0 | 3<br>(2.6%) |
| | | | Total | 115<br>(100%) |

(2) If you do not use laid-open publications, please choose two reasons from the list below.

( ) Because the scope of right is not decisive

( ) Because there is little use as early publication data

( ) Because we have no personal or financial resources or space although we would like to use them

( ) Not interested

Result: No answer

2. Timing of Laying Open

Currently most of the countries of the world adopt the laying-open system. Please indicate which of the answers below you agree concerning timing of laying open.

| | Electric | Mechanical | Chemical | Total |
|---|---|---|---|---|
| 18 months from filing (priority) date is satisfactory | 9 | 7 | 10 | 26 (90%) |
| Prefer earlier laying-open such as: | 0 | 2<br>1. as early as possible<br>2. 1 year or 6 months from filing | 0 | 2 |
| Prefer later laying-open such as: | 0 | 0 | 0 | 0 |
| Prefer a rule providing earlier laying-open date than statutory date (18 months from filing) upon petition by applicant | 0 | 0 | 0 | 0 |
| Prefer a rule providing later laying-open date than statutory date (18 months from filing) upon petition by applicant | 0 | 0 | 0 | 0 |
| Others (specify) | 0 | 1<br>Accelerate or defer laying-open date between 3 to 6 months from the reference date of 18 months from filing upon petition by applicant | 0 | 1 |

3. Currently most of the countries of the world adopt the laying-open system. Please indicate which of the merits and demerits you agree concerning this system.

(1) Merits

| | Comments | Number of respondents agreed |
|---|---|---|
| 1. | Possible to learn filing status and R&D trend of competitors at early stage | 18 |
| 2. | Possible to avoid overlap in researches, R&D investments and patent applications | 16 |
| 3. | Possible to take early countermeasures such as opposition and invalidation proceeding against competitors' applications | 13 |
| 4. | Possible to take countermeasures to avoid competitors' patents at early stage and avoid eventual patent disputes | 7 |
| 5. | Possible to determine direction of own R&D and activate development | 5 |
| 6. | Possible to obtain latest R&D information | 4 |
| 7. | Possible to prevent competitors from filing and obtaining patents by own laid-open applications | 2 |
| 8. | Possible to learn presence/absence of corresponding applications in question at early stage | 2 |
| 9. | Search for prior art | 2 |

(2) Demerits

| | Comments | Number of respondents agreed |
|---|---|---|
| 1. | Subjected to time constraints for filing related applications before the prior application is laid open | 11 |
| 2. | Current content and direction of R&D would be caught up by competitors at early stage | 11 |
| 3. | Relevant and irrelevant informations are mixed | 9 |
| 4. | Competitive spirit may induce filing of unnecessary applications | 6 |
| 5. | Too many number of laid open applications increase steps in patent searches | 5 |
| 6. | Scope of right of laid open applications is uncertain, and it is difficult to precisely determine the same | 5 |
| 7. | Rejected laid open applications will serve to disclose the technology so that competitors may utilize them for free | 3 |
| 8. | Merit (1) above is the demerit for the applicant | 2 |

4. Please enumerate concrete examples of problems encountered in countries where the laid-open system is not adopted (such as the United States).

| Concrete examples | Number of answers |
|---|---|
| Impossible to make early decision because no information is available with regard to existence of earlier patent applications, status of patent applications in question, etc. | 12 |
| Patent was issued after a considerable number of years since filing which presented serious difficulties in make countermeasures | 8 |
| Since file inspection is not possible until after registration, it is difficult to accurately assess the current status and to judge patentability. In the case of rejected applications, one has no means of learning the prior art references cited in the prosecution | 5 |
| Since competitors' relevant and important applications are not known until publication or registration, it is difficult to take countermeasures such as changes in product development or design, and to take precautions against possible patent infringement | 5 |
| Although laid-open applications are to be used theoretically as prior art, it is not possible to do so | 2 |
| When the competitor's application is assumed to be a prior application with broad claims from corresponding applications in other countries, but there is no chance for the third party to take actions in the examination stage | 1 |

[ANNEX 3] Questionnaire and Answers on Deferred Examination

1. Timing of Request for Examination

On what ground do you determine the time to file requests for examination in countries where the deferred examination system is adopted? Please fill in applicable columns in Table 1.

If you file request for examination request at the time of filing, please give concrete reasons therefor broken down by the countries.

| | Concrete reasons | Number of answers |
|---|---|---|
| 1. | Foreign applications are filed only on inventions which have been severely screened in respect of their importance and patentability, and they need to be patented at early stage | 12 |
| 2. | There are only 4 months during which to file examination requests for EPC convention applications | 1 |
| 3. | The examination fee is refunded if the search report locates a most pertinent prior art reference | 1 |
| 4. | China and Korea: Since there are no search report systems and the time to file examination request is comparatively short, the duration is also short | 1 |
| 5. | West Germany: Despite the search report system, the substantial examination may cite new prior art references | 1 |
| 6. | France: Because documentary report must be prepared within 18 months from priority date | 1 |
| 7. | Korea, W. Germany, Britain, France: Because the application has been confirmed of its importance and there is a limit to the duration from filing date | 1 |
| 8. | In order to obtain patent rights early for protection of licensed products or licensees | 1 |

2. Merits and Demerits of Deferred Examination System

Please describe merits and demerits of the deferred examination system.

(1) Merits

| Comments | Number of answers |
|---|---|
| 1. Request for examination can be filed depending on the timing of R&D | 13 |
| 2. Examination can be accelerated and early issue of patent is possible | 11 |
| 3. Request for examination can be filed only where necessary | 11 |
| 4. Cost reduction is possible | 10 |
| 5. Defensive applications can be filed | 2 |
| 6. Early settlement for competitors' applications which may be hindrances is possible in the countries where third parties can file a request for examination | 1 |

(2) Demerits

| | Comments | Number of answers |
|---|---|---|
| 1. | It is necessary to review whether requests for examination are to be filed or not, complicating the administration/request procedures for applications | 11 |
| 2. | Impossible to confirm if the patent has been issued on the critical application in competitor's name, thus creating insecure situation over patents | 9 |
| 3. | If the period of request for examination is too extensive, it may discourage development | 4 |
| 4. | Request for examination by third parties may start examination at a time not intended by the appliant and therefore inconvenient | 2 |
| 5. | There is no remedy available once the period of request for examination expires | 2 |
| 6. | Causes increase in the number of applications | 2 |

3. Period of Request for Examination

The period of request for examination varies from country to country. What is the reasonable number of years after the actual filing date in view of harmonization? Please indicte the appropriate years.

| Period | Number of respondents |
|---|---|
| within 1 year from the filing date | 0 |
| within 2 years from the filing date | 0 |
| within 3 years from the filing date | 3 |
| within 4 years from the filing date | 4 |
| within 5 years from the filing date | 8 |
| within 6 years from the filing date | 0 |
| within 7 years from the filing date | 13 |
| Others: please specify. | |
| 1. There is currently no problem in setting the period from the filing date. However, restriction should be provided concerning amendment after laying open | 1 |
| Total | 29 |

4. Adoption of Deferred Examination in the United States

Although it is not known if the United States will adopt the deferred examination system or not, please comment on it.

* Prefer the current system: 9 corporations (32%)

Reasons:

| | Number of respondents |
|---|---|
| 1. If patent continue to be issued in 2 - 3 years. (There was an opinion that adoption of laying-open system should come first) | 6 |
| 2. Almost all US patent applications are filed with the intension of obtaining patents | 3 |
| 3. There are no restrictions on the duration of right such as counting from the filing date | 1 |

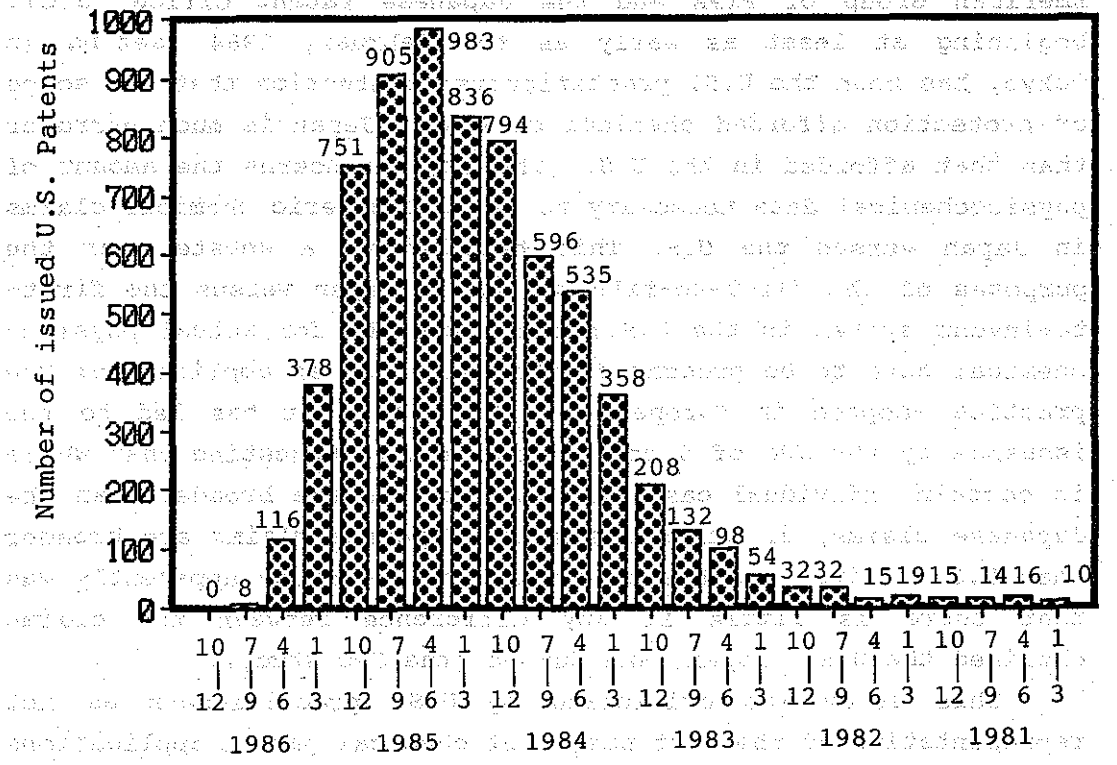
* The United States should adopt the system: 19 corporations (68%)

| Reasons: | Number of respondents |
|---|---|
| 1. From the viewpoint of harmonization | 9 |
| 2. Applications to be examined can be reduced by the review at the time of filing a request, thereby improving the quality of examination and accelerating the examination | 4 |
| 3. The number of filing can be reduced to thereby reduce costs by ascertaining the trend in R&D | 4 |
| 4. The system should be adopted linked with the laying-open system. Pending applications should be laid open as soon as possible in order to keep the equity with third parties | 1 |
| 5. The start of examination is too early currrently, and it is difficult to plan patent strategy by considering the importance of inventions and R&D status | 1 |
| 6. Delay in examination and delay in granting a patent can be obviated under the present system | 1 |

Table 1

| Countries | Timing for filing a request for examination | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Concurrently with filing | After review within | | | | | | | Others (after issuance of search report) |
| | | 1yr | 2yrs | 3yrs | 4yrs | 5yrs | 6yrs | 7rys | |
| Japan | 3 | 3 | 10 | 7 | 14 | 4 | 7 | 17 | 1 |
| China | 9 | 1 | 4 | 7 | - | - | - | - | 2 |
| Korea | 11 | 1 | 2 | 5 | - | 5 | - | - | 1 |
| EPC | 10 | 2 | 2 | - | - | - | - | - | 17 |
| GB | 11 | 3 | 5 | - | - | - | - | - | 11 |
| W. Germany | 13 | 2 | 4 | 3 | 2 | 2 | 2 | 3 | 6 |
| France | 13 | 2 | 2 | 1 | - | - | - | - | 5 |

[ANNEX 4] Relationship between the number of years from the dates of filing in the United States and the number of issued patents



# COMPARISON OF CLAIM SCOPE OF U.S. AND JAPANESE CHEMICAL CLAIMS - AVOIDING BIAS AND INTUITION

Lawrence T. Welch[1]

Background:

One of the most difficult topics of discussion between the American Group of PIPA and the Japanese Patent Office (JPO), beginning at least as early as the February 1984 meeting in Tokyo, has been the U.S. practitioners' contention that the scope of protection afforded chemical claims in Japan is much narrower than that afforded in the U.S. The issue concerns the amount of physicochemical data necessary to support generic chemical claims in Japan versus the U.S. This has led to a debate over the purposes of the first-to-file system in Japan versus the first-to-invent system in the U.S.; the necessity for actual physicochemical data to be present on the filing of an application; the practice adopted in Europe; and the like. It has led to the issuance by the JPO of a comparative study suggesting that while in certain individual cases the U.S. claims are broader than the Japanese claims, in other cases the Japanese claims are broader than U.S. claims, and the conclusion of the study apparently was that there is little if any difference between the claims obtained the U.S., Japan, and Europe (the JPO Study).

This study was criticized by U.S. practitioners as not representative of the vast number of chemical patent applications filed each year, and in any event, as being too small in scope to yield statistically significantly results. Understandably, the JPO's response was, in effect, "show us your study which demonstrates the contrary result."

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1. Attorney, Corporate Patents and Trademarks, The Upjohn Company, Kalamazoo, Michigan. This is a paper prepared for Committee Number 3 of the American Group of the Pacific Industrial Property Association (PIPA) to be presented at the 18th International Congress, in Baltimore, Maryland, held September 30-October 2, 1987. The views expressed herein are strictly those of the author and do not necessarily represent the views of The Upjohn Company or the American Group of PIPA.

Despite my title I must confess that I cannot say that this paper represents a study demonstrating a result contrary to the JPO study. This does not mean that I agree with the JPO conclusions.

There are a number of problems regarding doing a study of this type. First of all, Japan has only allowed compound per se protection since 1976. Many of the broader chemical claims are filed by pharmaceutical companies and other heavily regulated industries where it is not essential that a patent be granted quickly on the subject matter. Therefore, these applicants often wait the full seven years prior to requesting examination. This means that a substantial percentage of cases were not examined until 1983 or later, and thus only now are these patents issuing. Further, as a result of this delay, many companies lose interest in the subject matter for reasons totally unrelated to patent claim scope, or the companies simply already know which subject matter is important, and it is not essential to obtain broad patent protection. Finally, there are considerations regarding later discovered prior art, differences in the prior art applicable in the two countries, unity of invention problems, and the like, which could account for claims which vary greatly in scope, and which have little or nothing to do with the requirements for exemplification under the various national laws.

The JPO Study

As noted, the U.S. practitioners who have examined the claims compared in the JPO Study have noted that the claims generally were narrow to begin with. Further, they were only issued to a few companies, and could not be considered representative of the scope of patent claims obtained generally. However, if one looks at the results of the JPO Study, one could arguably a conclude that while the net effect is that about an equal number of Japanese claims were broader than the U.S. claims and vice-a-versa, there was somewhat of a trend that U.S. applicants got broader claims in the U.S. and Japanese applicants got broader claims in Japan. The significance could be explained

by several theories: (1) the fact that at the time the case was prosecuted in each country, it was more important to obtain broader claim scope, since it was not clear what the important subject matter was; (2) a better understanding of patent practice allows for better protection in the home country; and (3) there is better treatment of national applicants by the respective offices.

There is no aspect of the JPO study which could validate any of the theories. Further, it is doubtful that a study of this size has any statistical significance.

In trying to design a study of comparative claims in the U.S. and Japan, one is immediately faced with the difficulty of what patent claims to use for comparison. The difficulty in obtaining appropriate compound per se claims for comparison in the U.S. and Japan is hampered by a number of factors, as I noted previously. Further, unless a random sampling technique is used, which would demand far more resources than were devoted to the studies undertaken to date, any selection of comparative claims must rightfully be acknowledged as potentially not representative of the claiming practice in the respective countries.

Further, as all experienced patent practitioners know, what one obtains from a Patent Office, and what one can enforce in the courts, are often two quite disparate things. Thus, a true analysis of claim scope would have to involve an analysis of decided cases concerning patent infringement in their respective countries: Do the courts allow protection for similar compounds under a doctrine of equivalents? Are broad claims routinely narrowed or invalidated by the courts when they are attempted to be enforced?

Perhaps in the final analysis, the U.S. practitioner's argument is somewhat intuitive, but backed by logic. Everyone would agree that the JPO requires more exemplification in terms of physicochemical data supporting chemical compound claims than does the USPTO. In fact, given appropriate description in the specification, it is possible that broad, valid patent claims

could be obtained in the U.S., without the preparation of a single compound. This could not happen in the JPO, since there would not have been a complete invention at the time the application was filed. Further, there is essentially no coverage under the doctrine of equivalents in Japan, unlike the U.S.[2] Finally, even if an applicant is allowed to obtain broader claims in Japan after convincing an examiner, through the submission of additional physicochemical data demonstrating that such compounds have been prepared, there is potential that the filing date of the application could be changed to the date of the submission,[3] leading to a holding that the patent is invalid (due to earlier prior art, for example) through later court proceedings. This would not happen in the U.S.

All of these factors would certainly suggest that patent applicants in Japan will obtain narrower patent protection for their chemical compound inventions than will those same applicants in the U.S. While this argument makes sense logically, in the final analysis it is more theoretically based than empirically based, because no study has been undertaken which could conclusively prove this. One might argue that knowing when one patent system provides narrower claims than another is kind of like the now famous statement made by an American jurist in defining pornography: "I know it when I see it." U.S. practitioners, looking at the above factors, feel they know in their hearts that narrower claims are obtained in Japan, but it is quite difficult to prove this with hard facts.

Studies May Not Be the Answer

It is my view that merely doing a study of issued U.S. and Japanese patent claims is not going to prove conclusively that narrower or broader protection is obtained in either country.

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2. See, e.g., Tanabe et al, Japanese Patent Practice, p. 72 (AIPPA, 1986).

3. See, e.g., "(Supplement) Obtaining Patent Rights in Japan", Examples 14 and 15, a document provided to the American Group of PIPA at the February, 1984 PIPA meeting.

The question to be addressed is: Which country provides inventors with the best protection for chemical inventions? This question is clearly much broader than a mere examination of issued patents to determine which country provides the greatest number of theoretical compounds embraced within the scope of the claim and is not one that can easily be shown by empirical data.

Rather, the question concerns which country will allow an inventor to obtain the maximum exclusivity for his invention, without unfairly precluding others from developing legitimate improvements in the same field.

It is my opinion that when all of the factors noted above are examined, a narrower kind of protection is provided in the Japanese Patent system as compared to the U.S. patent system. Thus, where all other factors are equal, broader U.S. claims should be obtained. The phrase, "all other factors are equal" severely narrows the cases available for comparison, since there is usually some factor as discussed above which means that the claim scope will be different in the two countries for reasons unrelated to the amount of exemplification needed.

I could assemble a number of patents from my own company where broader U.S. claims were obtained. I am sure that my Japanese counterparts could assemble an equal number of cases from their patent departments showing that narrower U.S. claims were obtained, as compared to the Japanese claims. The fact of the matter is, these studies do not show what happens to the claims when they become important.

Clearly, uniform patent protection is not obtained in the U.S. and Japan, nor is there a sufficient degree of certainty for applicants seeking to know the scope of protection they might obtain in the various countries.

I shall now turn to the factors alluded to above which lead to the U.S. practitioners' claim that narrower protection is afforded in Japan.

Scope of Exemplification Needed

U.S. Patent law does not require that any actual

physicochemical data be present in order to claim chemical compounds, assuming that one of ordinary skill in the art could actually make the compounds from the description in the specification. Under Japanese law, there must be actual physicochemical data present in the specification at the time the application is filed, or the application will be rejected as an incomplete invention. In the U.S., if the Examiner has a reasonable basis to doubt that the teachings in the specification can be used to prepare the compounds claimed therein, the applicant may show the Examiner that the compounds could be prepared from the teachings of the specification.[4] The JPO will hold that insufficient explanation of the invention is present if there is no physicochemical data in the application[5] and the specification cannot be supplemented with additional physicochemical data, except under very limited conditions.[6] If additional physicochemical data is attempted to be added beyond these limited conditions, this could be interpreted as changing the gist of the invention, and the filing date will be lost.[7]

Therefore, for this reason alone, it is clear that narrower protection is ultimately obtained in Japan.

Doctrine of Equivalents

As noted above, the Doctrine of Equivalents in the U.S. allows the patentee to prevent an infringer from making something which performs substantially the same function in substantially

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4. See, e.g., Manual of Patent Examining Procedure, Section 608.01(p).

5. Japanese Patent Law Section 36(4).

6. These were set forth in a memo provided to the American Group of PIPA at the February 1984 meeting. Briefly, these rules indicate that the specification can be supplemented if there is a reference in the specification to the compound (or a "sufficiently analogous" compound") for which supplemental data is offered; there is actual data in the specification for an "adequately analogous" compound; and there is no significant difference between them.

7. See, "(Supplement) Obtaining Patent Rights in Japan", supra, Example 14.

the same way to obtain substantially the same result.[8] As note in Japan, there is really no such thing as a doctrine of equivalents. Instead, the claims define the outer limits of the invention, and what a patentee may be able to enforce is often times apparently narrower than what a fair reading of the claims might allow.[9]

Thus, even if the wordings of the claims were the same in the U.S. and Japan, it is likely that a narrower scope of protection would be afforded the claims to the Japanese patent as compared to the U.S. patent.

First-to-File vs. First-to-Invent

The Japanese Patent Office, having a first-to-file system, also has a requirement that the applicant must demonstrate that the invention was made at the time it was filed. The U.S. patent laws require merely that at the time the application is filed, one of ordinary skill in the art could make and use the invention, i.e, the act of filing a patent application is a constructive reduction to practice, and thus no actual compounds need be made in the case of a chemical invention, if one of ordinary skill in the art could still make the compounds from the teachings therein. Thus, truly "paper patents", if they sufficiently teach how to make and use the invention, are nonetheless valid under U.S. patent law.[10]

Such patents would not be valid under Japanese law.

Thus, the difference between a first-to-invent vs. the first-to-file system becomes the difference between a "first-to-teach" vs. "first-to-do" system. There seems to be no need for this distinction. Under the current U.S. first-to-invent system,

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8. See Chisum, Patents, 18.02[2].

9. See, e.g., Tanabe supra, at p. 30.

10. In fact, under certain conditions, a reference with a sufficient description of a compound, under 35 USC 112, can represent prior art against another party who has actual physicochemical data. See, Nelson v. Bowler, 1 USPQ 2d 2076 (BAI 1986).

filing of a complete disclosure with the U.S. Patent and Trademark Office is one way to prove invention, but there are other means of establishing invention dates, i.e., by conception coupled with diligence toward an actual reduction to practice, and/or the filing of the application.

If, instead, the system is a first-to-file system, where the only act of establishing a date of invention is the act of filing an application, why should it matter if the first filing is a complete teaching to one of ordinary skill in the art how to carry out the invention, albeit a teaching without a lot of data? Why is it necessary that a large number of compounds need be made prior to filing? In fields such as chemistry, it is quite likely that at least some compounds will need to be synthesized to be certain that the conception is valid, since in many chemical fields, one could not predict a result until the experiment is carried out. However, once a few examples have been carried out, one of ordinary skill in the art is likely to understand that a wide variety of additional compounds could be synthesized, and why should that inventor not be entitled to a broad scope of protection?

The Solution

What is the answer? Certainly, if the harmonization efforts now underway are successful, there will be a more uniform treatment of patent claims worldwide. This might involve the U.S. adopting a first-to-file system, and the Japanese adopting an enablement system similar to 35 USC 112 in the U.S.

What is needed is a realization by all practitioners worldwide that there are certain aspects of each system which are less desirable. If the U.S. adopts a first-to-file system, but maintains its current law under 35 USC 112, wherein the specification need only teach one of ordinary skill in the art how to make and use the invention, and not demonstrate that the invention has been actually made, then what rationale would the JPO have for maintaining their practice? Perhaps the JPO could adopt a system whereby the patent specification would be a means for

teaching one of ordinary skill in the art how to carry out the invention as in the U.S. These two steps alone might lead to more uniform patent protection in the U.S. and Japan. There would remain of course, a major concern regarding the scope of protection afforded to applicants during a patent infringement suit in court. These changes would require a great deal more thought before they could be put into place, as they might involve major changes in the respective judicial systems.

The more patent harmonization progresses, the greater likelihood such changes could be made. It is my hope such harmonization can be achieved.

# PATENT PROTEST SYSTEM IN USA, EPC AND JAPAN

## - With Focus upon Reexamination System in the United States -

Presented at PIPA 18th Congress
Japanese Group, Committee No.3
Yorozu NODA : Teijin Limited
Yoshihiko ABE : Ricoh Company, Ltd.
Speaker:Mitsuo TANIGUCHI: Eisai Co., Ltd.

Abstract

We have attempted to make comparison of the patent protest systems, that is, the means for third party to protest others' patents, among US, EPC and Japan. As a result of our study, we have found the reexamination system in the U.S. extremely different from the counterparts of EPC and Japan. First point is that participation of the third party is extremely restricted. Second point is that the scope of evidence for reexamination is limited only to prior arts in the form of patents or printed publications. In our opinion, these two points should be improved in order for the third party to fully participate in reexamination proceedings. We would like to report here upon the result of our study and the points to be improved.

## 1. Introduction

In this age of sophistication, complexity and diversity of technology and a great flood of technical information, it is extremely difficult for any Patent Office to perform patent examinations which are above reproach and which are fair in granting patents and claims in the light of prior arts.

It is practically impossible for one examiner to study all the relevant prior arts within a limited time, and there are bound to be facts which may have a significant influence upon patentability of a case and of which the examiner may not be aware. The fact that a large number of US patents become invalidated in the infringement

litigations may very well reflect this aspect.

Under the principle of equity, granting patents on inventions which should not have been allowed by nature or granting defective patents must be avoided as much as possible. Supposing that such a defective patent is granted, to permit its continued existence as an exclusive right is in itself a grave disservice to the general public, it lacks equity, invites chaos in society, and is not compatible with the original intent of the patent system which is to contribute to industrial development.

In view of the above or the fact that the patent right should be a presence to keep equity between the patentee and the general public, the general public should participate, state opinions and join in establishing truly refined patents. As a means for such participation or protest, they can naturally resort to invalidation or revocation in the court. From the point of equity as above-mentioned, however, they should be given a means of protest which is simple and less time- or money-consuming at the stage of Patent Office.

In Japan and EPC, there are patent opposition systems although the timing is different between the two as before and after the grant of patent. In the Japanese system, the public is invited to join the examination, to point out defects of examination made by the examiner, prevent defective patent from issuing, and enhance the reliability of a patent right.

US Patent System is substantially different from those of Japan and European countries, and the means for protesting others' patents at the stage of Patent Office is excessively restricted. There are indeed the reexamination system and the protest system in the reissue patent application procedure to which the public may resort in

order to achieve such purpose. As will be discussed in detail in the next section, participation by the parties is quite limited. There are a number of points which we would like to see improved.

We, therefore, have attempted to make comparison of patent protest system, that is, the means for third party to protest others' patents, among US, EPC and Japan which play the leading roles in the patent world. Our study revealed outstanding difference in the current system in US from those in Japan and Europe. We, therefore, would like to focus our discussion upon the reexamination system in the US.

The term "Patent Protest System" as used in our paper denotes, in a wide sense, a system under which one can protest the others' patents.

## 2. Comparison of Patent Protect System in Trilateral (USA, EPC and Japan)

In order to facilitate understanding of the situation currently prevailing in these areas, we have prepared a table instead of going into a lengthy discussion.

## PATENT PROTEST SYSTEMS IN TRILATERAL

| | Content | Japan | EPC | USA | |
|---|---|---|---|---|---|
| I: Protest at Patent Office Stage | Prior to grant | (a) Information offering<br>(b) Opposition | Information offering | None | |
| | After grant | Invalidation trial | Opposition | Reexamination request by third party | Protest against reissue application |
| | Examination system | Inter partes system (excluding information offering system) | | (*1) Substantially ex parte | |
| | Evidence | Extensive | Extensive | Narrow (*2) | Extensive |
| II: Protest at Court Stage | (After grant) | Impossible to invalidate issued patent | National stage Possible to raise revocation invalididty trial at Court (Patent Office) in respective contracting country | Possible to invalidate issued patent in District Court in case of infringement action | |

(*1) Reply is possible only to the first statement by the patentee. Patentee alone is allowed the interview. Quite restrictive compared to Japan and EPC.
(*2) Limited to patent specifications and printed publications.

As is obvious from the comparison of Japan, Europe and USA, the US system is quite unique in respect of the means of protest on others' patents in the Patent Office stage. While there are two opportunities for protest in reexamination and reissue patent applications, both are very much restricted for third parties in making statements and submitting evidence; this differentiates the US system very much from the opposition systems of Japan and Europe.

3. Reexamination and Reissue Patent Application Systems in USA

The reexamination system was first introduced on July 1, 1981 and aims at enhancing the reliability of patents by re-examining, after the grant of patent, "substantial new issues of patentability" which escaped the notice of the examiner during examination at the Patent Office. On the other hand, reissue patent application system is relied upon by patentees for amendment of claims after the grant of patent when, for instance, they found the claims were not quite appropriate. Third parties are given opportunities to protest such application.

Today's competition for technical developments in various areas is quite fierce, and it is quite natural that one's technology has some sort of relation (including infringement) to a third party's patents more or less. However, under the current US patent system which does not have such laying-open system as Japan and Europe, a patent application which had been kept confidential suddenly appears as a patent in front of the public after the examination by the examiner. In such a case, various complaints and arguments, if any, against patentability of patents will have to be presented officially at court in the form of litigation for patent invalidation. This is

quite contrary to Japan or Europe.

As mentioned above, the introduction of re-examination system in USA on July 1, 1981 was quite epochmaking in the history of the US patent system. From the viewpoint of third parties, however, its ex parte structure excessively restricts participation by third parties, thereby placing patentees at an advantage. Under this system there are actually about 200 filings a year (about 0.3% of the total number of issued patents per year), quite below that anticipated. This is very much less than approximately 1,600 opposition filings a year in European Patent Office (about 10% of the total number of granted patents per year); 3,000 - 5,000 opposition filings a year in West Germany (16 - 20% of the total number of granted patents per year); and 4,000 - 6,000 filings in Japan (about 10% of the total number of patent publications per year).

The protest system under the above-mentioned reissue patent application, on the other hand, is available to third parties for protesting the patent right only when the patentee files a reissue patent application. The US Patent system is rife with grave problems for the industrail sectors in that the third party is overly restricted in preventing defective patents from issuing. Improvements are desired for harmonization of the world's patent systems and practices.

## 4. Drawbacks of the Current Reexamination System

We could roughly classify the drawbacks of the current system which are often pointed out into two.

(1) The system is substantially an ex parte system, that is to say, participation by third parties is excessively limited.

When a third party requests reexamination:

*The requester is able to file a single reply when the patentee submits a statement, but not when the latter does not submit the same;

*After the reply by the third party requester, the examination in the normal ex parte manner is carried out, and the patentee is given the chances for interviews with the examiner, if necessary, but not the third party requester.

*When the requester is dissatisfied with the result, the patentee can appeal to the Board of Appeals, but not the third party requester.

(2) The scope of evidence for reexamination is limited to the written prior art in the form of patents and printed publications. This excludes other grounds such as prior use [35 U.S.C. §102(a)], prior invention [35 U.S.C. §102(g)], insufficient disclosure [35 U.S.C. §112], frauds, and so forth. Among them, the issue of 35 U.S.C. §112 will have the gravest influence on the industrial sector.

More concretely, it is quite common that applicants who are competitors in the same technical fields file related patent applications at about the same time. If the prior applicant was allowed unreasonably broad claims not supported by the description, or unreasonably broad claims which contain inoperable portions, it creates a grave problem for the applicant of the later application.

We would consider it essential that third parties be given opportunities to utilize the reexamination system and to discuss the validity of a patent easily, quickly and at low cost. Since the current US system has drawbacks as mentioned above, we are forced to rely upon proceedings at court to protest others' patents at enormous financial burden.

5. Desired Improvements to US Patent System

As is clear from the table, the situation varies among trilateral areas. To integrate this system completely would require extensive changes in the systems with long traditions.

However, as mentioned above, the US system alone is radically different from those of Japan and Europe in that they do not provide examination by the general public in a real sense. We would like to see the US system approximate the systems of Japan and Europe as much as possible.

(1) We would like to request the U.S. to create an inter parte system under which the third party is able to protest others' patents as in the case of Japan and Europe. Additionally the third party requester should be allowed to appeal to the Board of Appeals and farther to the Court of Appeals for the Federal Circuit if he is dissatisfied with the decision made by the examiner. In other words, we would like to request the U.S. to create a system under which the requester may participate on equal footing with the patentee at the Patent Office stage.

(2) When such a system is created, the scope of evidence for reexamination should substantially coincide with those for invalidating the patents, for example, at least including contravention of 35 USC §112 or prior use.

The present reexamination system can be improved to satisfy the requirements (1), (2) above, otherwise an opposition system or a patent invalidation system similar to those of Japan and Europe can be introduced.

In any case, we strongly wish to see creation of a new system under which the public inspection may be conducted at the patent office stage at a relatively

inexpensive cost.

The reexamination system of today does not take the inter parte system and is therefore advantageous for the patentee. A third party is not recommended to file reexamination application unless he possesses the most relevant reference to the extent that the patent is considered invalidated with certainty.

On the occasion of the visit by the delegation of Japan Patent Association to US Patent & Trademark Office in 1985, they made a similar proposal. At that time, Mr. Tegmyer, Assistant Commissioner of USPTO, stated, with respect to patent opposition system, that "such proposals made in the past were strongly opposed by the reason that parties not having any interest would be given opportunities to file oppositions". According to Japan's experience, such a situation does not warrant concern.

The necessity for strengthening intellectual properties are being asserted in US and elsewhere, and the general current is going toward that direction. If we were to expect the advent of really pro-patent age, granting the flawless and equitable right gains all the more importance. Defective patents bring confusion to the industrial activities, and we would strongly hope to see the fulfillment and improvement to the US reexamination system. We believe that the implementation of our proposal would lead to the increased utilization of reexamination and the decreased burden for the parties concerned, giving truly fair opportunities to the general public.

## 6. Conclusion

We have compared the current status concerning the patent protest systems in Japan, Europe and USA, and focused the points needed to be improved in the

reexamination system in USA. We would very much like to see the improvements realized soon. This also is considered very important from the standpoint of harmonization of world-wide patent system. Although the subject of this paper is discussed from the stance of Japan, we still remember that Japanese current system also should be studied for harmonization.

PIPA Committee No. 4
Baltimore Congress 1987

Panel Discussion

HOW NEW PRODUCTS ARE DETERMINED
TO BE FREE OF INFRINGEMENT

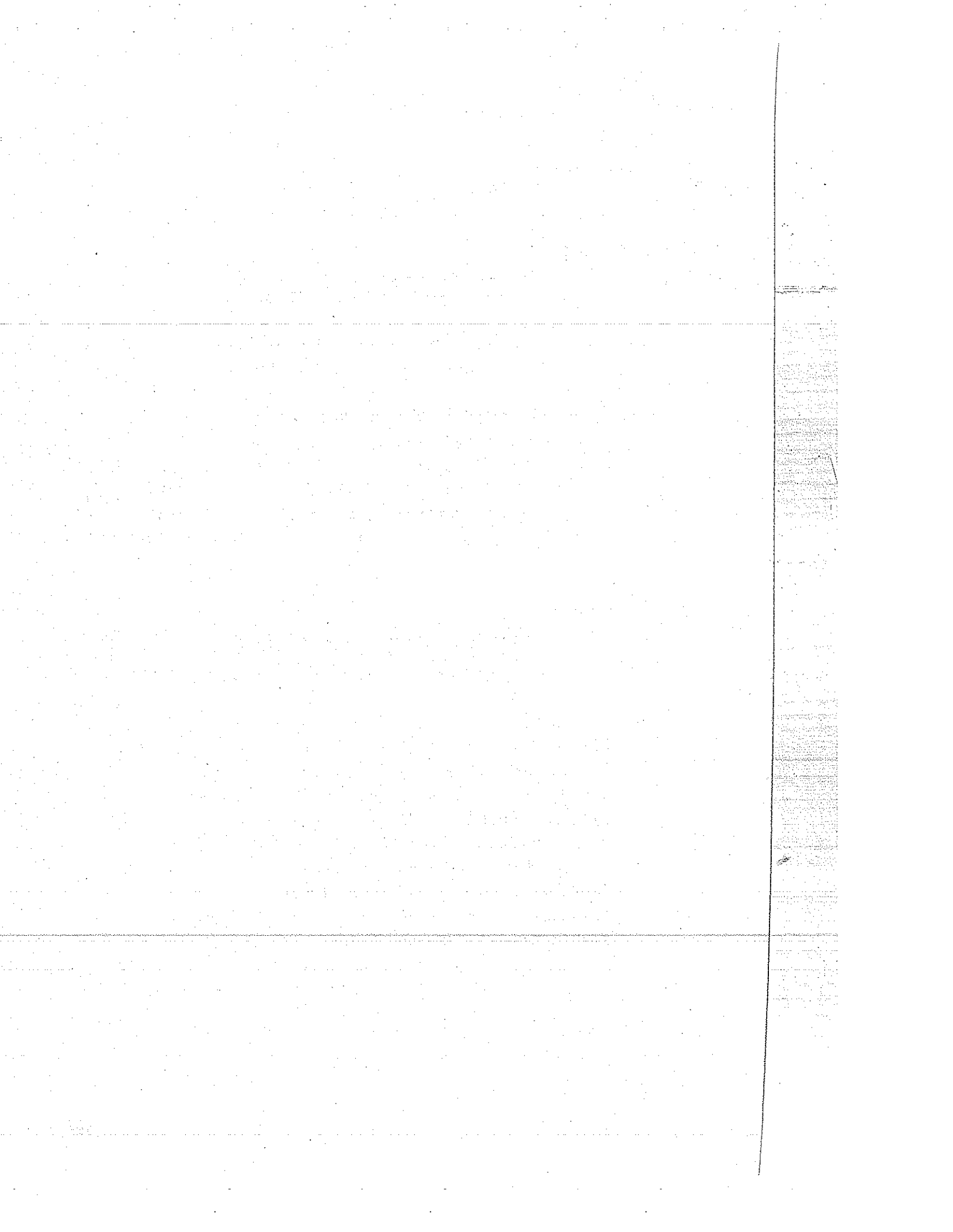
Chairmen : J. Jeffrey Hawley (Eastman Kodak Co.)
Kensuke Norichika (Toshiba Corp.)

Panelists: Warren Kurz (Eastman Kodak Co.)
James Espe (General Electric Co.)
Hesna Pfeiffer (Merck & Co. Inc.)
Michio Nishi (Sumitomo Electric Ind., Ltd.)
Kunio Hirabayashi (Aishin Seiki Co., Ltd.)
Masahisa Hase (Mitsubishi Petrochemical Co., Ltd.)

Paper Presentation

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Kazutaka Yoshida (Fuji Photo Film Co., Ltd.)
Toshio Yamauchi (Kanebo Ltd.)



PIPA Committee No. 4

# "HOW NEW PRODUCTS ARE DETERMINED TO BE FREE OF INFRINGEMENT"

## General Procedure in Japanese Company

I. In developing and marketing new products, a company must be aware of third party patents which might lead to increased price of new products. If a product was found to infringe a third party patent, marketing of the product may, in the worst instance, have to be suspended due to non-availability of a license from the patentee (either because of the patentee's licensing policy or of failure to reach an agreement because of unduly severe license conditions). In other cases, a permanent exclusion order of the US International Trade Commission under Article 337 of the Customs Law may be issued to render production and marketing of the product impossible. In such cases, the investments so far made (R & D and equipment expenses) are not recoverable, and an enormous amount of monetary burdens may accrue including litigations fees.

In order to avoid such grave situation, care is taken to watch for relevant patents of others from the stage of development, and measures are taken based on close cooperation among researchers, technical and patent personnels as well as outside legal and patent counsels as the need arises.

II. Following is the discussion concerning concrete methods of how new products can clear third party patents.

1. Search

A. Searches conducted before the matter of infringement is raised

(1) Stage where research and development are started

When the new product is entirely new, information on patents, technichal literature and market trends related to the R&D theme is collected, and analysis and evaluation of technical trends in and out of the country and strength of patents of own company and others are conducted with cooperation from the patent department. On the other hand, if the new product is an improvement of a current product, the search on the improved portion is additionally conducted and the analysis and evaluation so far conducted are reviewed. Such analysis and evaluation are useful in determining the direction of strategies for R&D, patent acquisitions, development of a technique for by-passing third party patents which may be in the way, the need for technical tie-ups, and the need for joint research and development.

(2) Stage where R&D are carried out

Relevant patents and technical references are

routinely collected by the technical personnels, and understanding of the technical trend, watching (once a month) of development of prosecutions, and filing of oppositions are performed.

(3) Stage of filing patent applications

Patents which are closest in content to the technology in question are picked up as prior art references, and validity and possible infringement of the patent applications and established patents are reviewed in the course of prosecution. When filing patent applications in a country with possibilities of future exportation or licensing, at least the USP search should be conducted in addition.

B. Searches conducted at the time infringement matters are brought up

(i) Manual searches

(a) Researchers or technical personnels (hereinafter referred to collectively as technical personnels) in charge of product development search through the patent publications in the company file to collect third party patents which are relevant. Patent personnels may conduct patent searches in this case.

(b) Patent publications in the technical department file

include Japanese patent publications, Japanese published unexamined applications (Kokai), and occasionally USPs (DERWENT abstracts (CPI and EPI)). These publications are classified and filed after circulation regularly in the technical department.

(c) Patent searches conducted by technical personnels follow the following three methods. Any risks of oversights are to be assumed by the technical or patent department.

*A person who knows the technology by heart may be able to select relevant patents through intuition.

*A technical personnel conducts the search based on the data base or patent map which the technical department traditionally prepares.

*A technical personnel in charge of patent matters may act as a leader for conducting searches.

(d) Systematic patent searches on US patents are conducted using the sub-class list.

(ii) Searches by computer retrieval

(a) PATOLIS search on Japanese publications and Japanese published unexamined applications (Kokai) by IPC, keywords, etc. is relied on to obtain relevant patents. In determining IPC classes, etc., technical reports obtained by the technical personnels and new product information obtained by marketing

personnels will be taken into consideration.

(b) By analyzing the full specifications of the relevant patents thus obtained by computer retrieval, patents which may be infringed will be picked up jointly by the patent and technical personnels.

(c) For searches of foreign patents such as USPs, data bases such as CAS, DIALOG (CLAIMS or WPI) are used to pick up relevant patents based on US classes and keywords.

2. Infringement Study

(1) Relevant patents on improved products which have been picked up in the preliminary search are studied, reviewed, and classified into following groups by technical and patent personnels, and countermeasures for each group are formulated.

(a) Patents which are judged not being practiced (no infringement)

(b) Patents which are quite difficult to judge whether they are practiced or not (infringement or no infringement)

(c) Patents which are judged as possibly problematic (possible infringement)

(2) Following countermeasures are further taken for the patents as above classified.

(i) Confirmation memo is prepared for the patents classified under (a).

(ii) Bases for judging a patent as not being practiced should be summarized, and expert opinions of the outside patent attorney and/or lawyer should be sought as to the validity of allegations. Opinions of the attorney at law should be particularly sought for interpretation of US patents. Any doubt concerning the validity of patents should be resolved in the similar manner.

(iii) Measures similar to (ii) above should be taken for patents classified under (c). In this case, the opinion of several experts may be sought on one subject. In appointing patent attorney or attorney at law in seeking such services, care should be paid to their specialized fields (technical areas, litigations).

3. External Negotiations

(1) Deciding on the policy

Based on the above interpretation of the right, a patent which is problematic or that which is likely to cause problems is reviewed by considering the marketability of the product involved including the patentee and anticipated license fees, and the person responsible for the product will finally decide on the need for obtaining a license based on the above mentioned expert opinions. In deciding whether to acquire the license

or not, the decision is made to take legal actions (patent invalidation trials, re-examinations) on any patents for which invalidation may be asserted by considering the market scope of the product in question.

(2) Negotiation

When acquiring a license, the head of the department in charge of negotiation shall propose in writing to the patentee for a license, and demand presentation of license conditions. The license conditions presented by the patentee shall be studied by the person responsible for the product and the department in charge of negotiations who will decide on counter proposals. Negotiation with the patentee for mitigation of license conditions shall be carried out based on such counter proposals. Advices from the legal counsel are sought, if necessary, in proceeding with the negotiation (such as on relevance with the contractual laws as the Patent Law, Anti-Monopoly Law, etc.).

(3) Conclusion of agreement

The person responsible for the product shall make the final decision to acquire the license based on the final license conditions proposed by the patentee, and the agreement shall be concluded if the license is to be acquired. On the other hand, if the decision not

to obtain license is made, marketing of the relevant product shall be placed in abeyance until the patent expires, or research on the technology which does not infringe said patent will be conducted.

III. There is an equally important situation which is different from the cases discussed above where measures for third party patents may be taken before marketing the product. The case involves a letter of warning on infringement by the product.

A letter of warning may arrive by certified mail one day quite suddenly. One should keep calm and take necessary steps to deal with such a letter. This is because the patentee may at times resort to such a measure merely to observe the reaction of the recipient, although he may at other times be in possession of the evidence of infringement. Upon receipt, one must, first of all, ascertain the true intent of the patentee.

The followings are possible actions which may be taken in such situation.

(a) Review the relation (infringement) of the product and the patent discussed in the warning.

(b) In the face of possible infringement, a search through publications should be made and validity of the patent should be reviewed.

(c) Opinions of a patent attorney or lawyer should be

sought on infringement and validity of the patent.

(d) Based on the result of the study by counsel, countermeasures (such as acquiring license) are determined.

(e) Negotiation with the patentee (patent discussion, bargaining for conditions).

A letter of warning usually specifies the date for response. If there is no infringement, a response to that effect will suffice, but if sufficient time is needed for study, a response written in good faith explaining the delay should be sent.

In Japan a letter of warning may at times trigger directly or indirectly a company to take actions for invalidating a patent already registered.

for invalidating a patent already registered.

Litigation directly or indirectly a company to take actions

In Japan a letter of warning may at times

delay should be sent.

for study, a response written in good faith satisfying the

that effect will suffice, but if additional time is needed

for response. If there is no indirement, a response to

A letter of warning usually specifies the date

(c) Negotiation with the purchase (patent discussion,

bargaining for conditions).

determined.

counterpeasures (such as accepting license) are

(d: Based on the result of the study by counsel,

merits on infringement and validity of the patent.