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REPORT ON 1975 ACTIVITIES

PRESENTED AT THE

SEVENTH ANNUAL INT'L CONGRESS

PACIFIC INDUSTRIAL PROPERTY ASSOCIATION

HAKONE, JAPAN

NOVEMBER 9, 1976

BY

HAROLD LEVINE
PRESIDENT U. S. PIPA GROUP
ASSISTANT VICE PRESIDENT
AND GENERAL PATENT COUNSEL
TEXAS INSTRUMENTS INCORPORATED

"REPORT ON 1975 ACTIVITIES"
BY MR. H. LEVINE

PIPA CONGRESS - HAKONE, JAPAN - TUESDAY NOV. 9, 1976

It is a great honor and pleasure for me to be here in Hakone on the occasion of the 7th International Congress of PIPA. It gives me a special pleasure to see all my friends again and to welcome you to the opening of this 7th Congress which thanks to the outstanding arrangements made by our hosts in this magnificent location and with the fine program for us should result in a memorable and unusually outstanding Congress. I know that I speak for each one of my American colleagues when I extend my congratulations and thanks for the superb arrangements for this Hakone Congress.

Now let us speak for a few moments about 1975 Activities of PIPA. 1975 was not a quiet year in the International patent law arena. There was much turbulence in this arena and many movements for change in several areas of the world --- all of which can have profound impact on the interests both jointly and individually of the members of PIPA. I won't try to review all of these for you here but will mention a few of them for you.

First is the clamor by the developing nations for "a new world economic order" and this has translated itself into various demands to modify the Paris Patent Convention --- to provide special non-reciprocal treatment for so called developing countries as well as many other demands and concessions from the developed countries all in a curious hope that some how these demands for special treatment from the government sector in the patent treaty area will foster and stimulate the flow of technology to the developing countries particularly from the private sector. You will be hearing more about this important subject at this Congress.

At the Boston 1975 Congress, PIPA developed a position on the proposed changes to the Paris Convention --- and PIPA had the honor to present PIPA's views at two meetings in Switzerland of the governmental groups for revision of the Paris Convention. PIPA was officially invited as observer delegates to these meetings which took place in December 1975 in Geneva and in June 1976 in Lusanne. Mr. Adams and I attended both meetings and Mr. Matsui attended the June meeting. There is another meeting scheduled later this month in Geneva and President Aoki will honor PIPA by representing PIPA at this next session. Much else has happened --.

Mexico has changed its law in February of this year.

Canada has announced its thinking for dramatic changes to its patent law and system fundamentals. The Philippines are also contemplating changes - PIPA can be a vital force -- a catalyst for the right kind of change in the patent laws around the world. PIPA represents a major source of key technology available from the private sector in the free world. Gentlemen we have an unusual opportunity as well as a responsibility to make our views known so that meaningful change can be brought about in the world patent systems which will enhance the interchange of technology and provide an uplifting force for the betterment of life for all peoples.

Now a word about the 1975 PIPA Boston Congress. We were honored to have many fine papers of outstanding quality and interest presented by both the U. S. and Japanese groups. We were pleased that our Japanese colleagues had an opportunity to visit the U. S. in the historic city of Boston in the year of my country's Bicentennial Celebration and we thank you for coming.

1975 was a year of challenge for the patent systems of the world and for PIPA. 1976 and 1977 look like they will be years of even greater challenge. I look forward to the honor and privilege of working with all of you on these challenges. Thank you very much.

END.

Keynote Address

by PIPA President, T. Aoki

Honorary Chairman, Distinguished Guests, Ladies and Gentlemen,

It is my real pleasure and honor to welcome you at the opening ceremonies of this 1976 PIPA Congress here at Hakone. Hakone is one of the famous National Parks in Japan and well-known for its beautiful scenery. Especially, at this season, a middle autumn, you can enjoy a view of so glorious and colourful leaves of maple and other trees here. That is really the indescribable beauty of the autumn tints.

Besides enjoyment of the natural beauty, I sincerely hope all of you can have a real opportunity to exchange frank views and information, enhance our mutual friendship and understanding and enrich knowledge and intelligence in the field of the industrial property right and licensing through this 7th International Congress.

It is needless to say that we recognize very well we are in the midst of dramatic changes of international systems concerning the industrial property protection. The world of industrial property protection is in the process of reshaping in recent years and our organization has been closely participating in and contributing to such reshaping from its foundation in early 1970.

Some examples of the main events since the foundation of

PIPA are illustrated as follows:

- WIPO was established according to the Stockholm Convention and later became a specialized agency of the United Nations
- Stockholm Act of Paris Convention entered into force
- Patent Cooperation Treaty was signed at Washington, D.C. and some countries including the USA ratified it
- Strasbourg Agreement concerning the International Patent Classification was signed and later entered into force
- Trademark Registration Treaty was signed
- European Patent Convention and European Convention for the Common Market Patent were signed
- A series of revision conferences for Paris Convention and the Model Law for Developing Countries on Inventions and Know-How were held and will be further held
- Various changes or preparations for change of patent laws or related legislations in developed and developing countries were made and will be made in accord with international movement

We are going to send two delegates, from PIPA, Mr. Adams from US side and myself from Japanese side, for the forthcoming first Preparatory Intergovernmental Committee for the Revision of the Paris Convention for the Protection of Industrial Property to take place in Geneva from November 23. A lot of the basic concepts maintained in the Paris Convention for long are subject to change, the details of which are scheduled to be presented in the panel discussion tomorrow morning.

One of the shocking examples is a preferential treatment for nationals of developing countries in respect of the term of priority, by which there may be a possibility that the twelve months priority period for patent application will be extended by further six months as far as the applications by the Nationals of developing countries are concerned.

I sincerely hope that you would have enough time to discuss these important points in the Congress and summarize the PIPA opinions for the forthcoming WIPO meeting.

I should add, in this connection, that a statement was presented from PIPA to WIPO, as was also indicated by Mr. Levine in his report on the 1975 activities, stressing contribution of the patent system on smooth transfer of technology from developed countries to developing countries from the view point of Japanese experiences after the end of the second World War.

I am sure that many of you well remember the statement mentioned by Mr. Levine in his keynote address in the Boston Congress last year that PIPA should add to our past successes and see to it that we increase our contributions on the world scene by making our views known and helping reshape some of these emerging changes and further that your Board of Governors expressed the view that we must develop actions and positions to be taken by PIPA's various committees so that we can more fully realize the contribution. For this purpose

we should attach greater importance to the daily activities besides International Congress to be held once a year. The Board of Governors is of course directly responsible for such activities as an "Action Committee" at the same time, but as abovementioned committees through No. 1 to No. 4 of both countries should be more active to react properly and timely on the urgent interational issues with always keeping the close contact between the U.S. and Japanese groups.

I am happy to know that Committee chairmen are becoming a little by little conscious of this activity and wish to express my hope for the steady improvement in this respect thanks to the untiring efforts of all concerned people. One example of this kind of activities is our action to be taken towards the movements in Canada and the Philippines for revision of their patent laws, as we did last year when Mexico changed its patent law drastically. I presume we would have an opportunity to elabolate this point further in the course of the discussion in this Congress.

I would like here to briefly touch upon some characteristic of the program of this Congress. In compliance with a strong feeling we all shared in the Boston Congress last year, we tried to allocate time properly in the program so that we could have some time for questions and answers after each presentation. We also newly introduced a form of panel discussion selecting one of the most interesting and important topics for making the presentation most lively and exciting.

So, I expect you can have very meaningful and useful exchange of views during this Congress.

By the way, I am happy to be able to anounce our American friends that we, Japanese group published "PIPA News" No. 1 this May, No. 2 in July and No. 3 in September. I feel sorry this periodical publication (I hope this could certainly be periodical) cannot be commonly useful also for our American friends, because of Japanese being a language used there.

Another pleasant news I wish to tell you is that Mr. Suzuki, former President of PIPA will give a lecture in the World Symposium on the Importance of the Patent System to Developing Countries organized by WIPO in Colombo, Sri Lanka in next February as a representative of Japanese industries.

In closing, I wish to stress again that the 1976 - 1977 PIPA year will be another important and dramatic year for change and I believe PIPA can make substantial contributions. Please enjoy your busy time here in the Congress for three days.

Thank you.

Takashi AOKI -- Introduction of Mr. Fujiyoshi

My next thing to do is to introduce to you our guest speaker who is the honorary chairman of this seventh International PIPA Congress at Hakone. He is Mr. Tsuguhide Fujiyoshi.

In November, 1971, Mr. Fujiyoshi took office as the President of Toray Industry Inc., the biggest chemical fiber manufacturer in Japan. He has been serving for this company since 1935 soon after graduation from the faculty of Technology of Tokyo University.

Mr. Fujiyoshi become the Chairman of Japan Patent Association in April, 1975. Japan Patent Association is the most active and influential organization in the field of industrial property in Japan consisting of four hundred leading Japanese companies from almost all sectors of industries. Japan Patent Association certainly represents, in that sence, the voices of the Japanese industries in the industrial property field. I should add all the Japanese members of PIPA also are members of Japan Patent Association.

Since his first trip to the United States in 1951, Mr. Fujiyoshi has been active in operating international business also frequently visiting or staying at various places in Europe, the United States, South America and Southeast Asia.

It is a real pleasure to welcome here and introduce Mr. Fujiyoshi to you this morning.

November 9, 1976

Text of Address
by Tsuguhide Fujiyoshi,
Honorary Chairman of PIPA,
before its Seventh International Congress
in Hakone

Mr. President, ladies and gentlemen,

It is a great honor and a pleasure for me to speak to you here today as Honorary Chairman of this Congress.

Being a layman, frankly, I have little to speak about the specifics of industrial property before experts like you, but I wish to take the liberty of touching on some broad aspects of it.

Needless to say, the rapid progress of science and technology in past years has brought about marked improvements in the communication and traffic facilities on a global scale. As a result, the international flux of culture and economy is getting easier. Countries are becoming more dependent on each other with the growth of international trade. Today, no individual country could seek prosperity independent of others. All matters and affairs will have to be handled with due regard to their international implications.

As the international flux of culture and economy increases, clearly depicted are the differences in living standards

between developed countries and developing countries, between the rich nations and the poor nations, and between haves and have-nots. How well we can narrow the differences in a harmonious way holds the key to the happiness and prosperity of mankind in the future.

As for industrial technology, there exists a huge gap in the level of technology between developed countries and developing countries. Judging from the tempo of the advancement of science and technology in developed countries, it appears that the gap will continue to grow and will make the differences in economic strength between developed countries and developing countries even greater. It is from this respect that the transfer of suitable technology needs to be seriously considered.

Soon after World War II, the Japanese industries started to introduce new technical knowledge and Western business practices from abroad. The technology thus acquired has contributed much to the rehabilitation and growth of the Japanese economy. Today, Japan has turned out to be a country which renders assistance to many of the developing countries, shaping and implementing their plans for industrialization.

As an individual, I have been concerned with introductions and transfer of technology over the years. My own experience indicates that for the transfer of technology in an effective way,

a receiving country must provide a favorable climate - the training of key personnel from management to technicians and operators, the cultivation of market opportunities, and the consolidation of infrastructure. It is a difficult task to do so, yet it is necessary. Both parties concerned with technology transfer must work out a careful plan on a long-term basis.

Now that the international flux of industrial technology is further expanding, it is important to establish some sort of a coordinated opinion, or a set of rules, as to the handling of industrial property through the talks among all the parties concerned.

Up to now, industrial property has been discussed mainly among industrially advanced countries where common understanding and common recognition are obtained fairly easily with minor discrepancies in opinions.

From now on, however, it will be quite different; the number of countries to participate in the debate on industrial property will increase, involving many peoples with a variety of religions, incompatible political systems, and different history and customs. The way of thinking about industrial property will differ from country to country. It will not be easy to seek consensus under such diversity and complexity.

To overcome all the difficulties, I think it necessary to talk with each other, over and over again. By so doing, the position and the way of thinking of others can be better understood. Thus, common recognition can be obtained as to what measures on industrial property will contribute most to the world peace and the prosperity of mankind.

It is most gratifying to note that mutual understanding on industrial property between the United States and Japan has been deepened with untiring efforts of PIPA members. Let us hope that PIPA will grow to embrace other countries of the Pacific region so that industrial property will be shared and utilized by as many peoples of the world as possible.

Lastly, I take this occasion to extend our hearty welcome to the United States representatives who are gathered here to participate in this Congress. I also wish to express our sincere hope that you will visit various places in Japan during your stay here and enjoy this country of tradition mingled with modernity.

Thank you.

TRANSFER OF TECHNOLOGY

(SPEECH DELIVERED BY COMMERCIAL COUNSELOR JOHN E. MELLOR AT SEVENTH INTERNATIONAL CONGRESS OF PIPA, HAKONE, NOVEMBER 9, 1976)

THE UNITED STATES HAS A FIRM COMMITMENT TO MAINTAINING A SOUND DIALOGUE WITH THE DEVELOPING COUNTRIES. THE OBJECTIVE IS TO ACHIEVE CONSTRUCTIVE AND MUTUALLY BENEFICIAL ECONOMIC COOPERATION. WE HAVE AS A MATTER OF POLICY DETERMINED THAT IT SERVES U. S. NATIONAL INTERESTS TO PROMOTE THE ECONOMIC AND SOCIAL WELFARE OF THESE COUNTRIES. WE ARE PLEDGED TO ASSIST IN THEIR ECONOMIC DEVELOPMENT AND GROWTH. OUR INTEREST INCLUDES THE MAINTENANCE OF A SOUND TRADE AND INVESTMENT CLIMATE, ACCESS TO RESOURCES, LABOR AND MARKETS, AND THE STRENGTHENING OF TECHNOLOGICAL RESOURCES IN LESS-DEVELOPED COUNTRIES.

TECHNOLOGY HAS BECOME A KEY ISSUE IN THE CURRENT DEBATE. INDEED, ALL NATIONS ARE IN FULL AGREEMENT THAT TECHNOLOGY RANKS WITH THE TRADITIONAL FACTORS -- LAND, LABOR AND CAPITAL -- WHICH DETERMINE THE RATE OF ECONOMIC GROWTH. FOR COUNTRIES WHICH LACK THE CAPABILITY TO DEVELOP TECHNOLOGY INDIGENOUSLY, DEPENDENCE ON IMPORTED TECHNOLOGY IS AN ECONOMIC FACT OF LIFE. CONSEQUENTLY, THE INTERNATIONAL TRANSFER OF TECHNOLOGY IS, INCREASINGLY, A SUBJECT OF GREAT IMPORTANCE TO ALL COUNTRIES, AND MOST ESPECIALLY TO DEVELOPING COUNTRIES.

In 1857 a Japanese Commissioner assigned by his Emperor to investigate the reasons for the fantastic flourishing of American inventiveness filed his report:

> "We have looked about us to see what nations are the greatest, so that we can be like them ... We said, 'What is it that makes the United States such a great nation?' and we investigated and found that it was patents, and we will have patents."

Some 120 years later, Secretary of State Kissinger, in his UNCTAD IV speech, expressed our comprehensive approach to technology transfer, and elaborated an international effort comprised of five basic elements: (1) research and development; (2) training; (3) information; (4) investment policies; and (5) a review of national goals and responsibilities for the upcoming UN conference on science and technology in 1979.

Before proceeding with a discussion of U. S. policies and programs, I will try briefly to identify developing countries' concerns in this field. The obvious bears repetition: that is, the vast majority of modern industrial and agricultural technology is proprietary and resides in the developed world. The developing countries philosophically consider that technology is in the category of "common

HERITAGE" AND THAT ALL COUNTRIES HAVE THE RIGHT OF ACCESS TO THE WORLD'S TECHNOLOGY IN ORDER TO IMPROVE THEIR STANDARDS OF LIVING. THEY BELIEVE THERE IS A HIGHLY UNEVEN DISTRIBUTION OF THE FRUITS OF TECHNOLOGY, THAT TECHNOLOGICAL PROGRESS IS EVER LEAVING THEM FARTHER BEHIND IN THE ECONOMIC RACE.

WE HEAR A CRESCENDO OF DEMANDS FROM THE DEVELOPING COUNTRIES THAT THE ONLY REAL SOLUTION IS TO IMPOSE A LARGE MEASURE OF GOVERNMENTAL CONTROL OVER THE TERMS AND CONDITIONS OF THE INTERNATIONAL TRANSFER OF TECHNOLOGY. EXAMPLES INCLUDE MEASURES TO:

- DETERMINE FAIR AND REASONABLE TERMS, INCLUDING PRICE, ON TECHNOLOGY TRANSFER TRANSACTIONS.
- ENSURE THAT TECHNOLOGY IS APPROPRIATE TO INDIVIDUAL DEVELOPING COUNTRIES' NEEDS.
- PROVIDE FOR REGISTRATION OF TECHNOLOGY TRANSFER CONTRACTS BY GOVERNMENTS TO ENSURE THAT THEIR TERMS CONTRIBUTE TO SOCIAL AND ECONOMIC DEVELOPMENT GOALS.
- PROVIDE FOR THE SPEEDIEST POSSIBLE LOCAL OWNERSHIP OF THE FACTORS OF TECHNOLOGY, THAT IS, CAPITAL, KNOW-HOW, AND TRAINED PERSONNEL.
- ESTABLISH NATIONAL AND INTERGOVERNMENTAL MEASURES TO ABOLISH RESTRICTIONS IMPOSED BY THE SUPPLIERS OF TECHNOLOGY. THIS WOULD INCLUDE ELIMINATION OF

THE PERCEIVED MONOPOLY EXERCISED THROUGH RESTRICTIONS SUCH AS EXPORT CONTROLS, TIED SALES OR PURCHASES, GRANTBACKS, AS WELL AS RESTRICTIONS CONTAINED IN PATENT AND TRADEMARK RIGHTS.

- REDUCTION IN THE DURATION OF PATENT PROTECTION AND CEILINGS ON ROYALTY RATES.

TWO THEMES RUN THROUGH MOST OF THE POINTS DEVELOPING COUNTRIES MAKE. THE FIRST IS THE NECESSITY OF GOVERNMENT INTERVENTION IN ORDER TO PROMOTE THE TECHNOLOGY TRANSFER PROCESS. A CODE OF CONDUCT AND REVISIONS IN THE INDUSTRIAL PROPERTY SYSTEM FALL IN THIS CATEGORY. AS REGARDS THE LATTER SUBJECT, AS YOU KNOW, THERE IS A PROPOSED REVISION OF THE PARIS INDUSTRIAL PROPERTY CONVENTION TO MEET THE PARTICULAR NEEDS OF DEVELOPING COUNTRIES. THEY HAVE ADVANCED PROPOSALS REGARDING, AMONG OTHER THINGS, THE BASIC "NATIONAL TREATMENT" PROVISIONS OF THAT CONVENTION, PREFERENTIAL TREATMENT ON A NON-RECIPROCAL BASIS, AND COMPULSORY LICENSING.

THE SECOND IS THE INSTITUTIONALIZATION OF TECHNOLOGY TRANSFER. THIS REQUIRES ESTABLISHMENT OF NEW CENTERS, ORGANIZATIONS, OR INSTITUTES, ALL FORMALLY DEDICATED TO THE TRANSFER AND DEVELOPMENT OF TECHNOLOGY.

AT TIMES IT APPEARS THAT THE TWO GROUPS OF COUNTRIES ARE TALKING PAST ONE ANOTHER ON THIS SUBJECT. THE DEVELOPING

NATIONS CONTINUALLY DEMAND CHANGES IN THE SYSTEM, GOVERNMENTAL CONTROL OVER THE MARKET PLACE AND THE MULTINATIONAL CORPORATION, AND A MASSIVE TRANSFER OF RESOURCES. DEVELOPED COUNTRIES TALK IN TERMS OF PRESERVATION, WITH IMPROVEMENTS, OF THE EXISTING SYSTEM, A SOUND INVESTMENT CLIMATE, A MINIMUM OF GOVERNMENTAL CONTROLS AND A HOST OF MEASURES TO DO SOMETHING ABOUT THE INSTITUTIONS AND POLICIES OF THE DEVELOPING COUNTRIES. RECENT U. S. POLICY HAS BEEN TO STRIKE A BALANCE BETWEEN THESE POSITIONS. PERHAPS THE BEST WAY TO ILLUSTRATE THIS POLICY IS TO TALK IN TERMS OF THE BASIC FACTORS WHICH COMPRISE THE INTERNATIONAL TRANSFER OF TECHNOLOGY. THESE ARE -- AS I SAID BEFORE -- CAPITAL, KNOW-HOW AND TRAINED PERSONNEL.

THE PRIMARY VEHICLE FOR THE PROVISION OF THIS COMPLEX BUNDLE OF FACTORS IS THE PRIVATE SECTOR, INCLUDING THE MULTINATIONAL CORPORATION, ALTHOUGH SUCH CORPORATIONS AS A WHOLE DO ONLY 20% OF THEIR BUSINESS WITH DEVELOPING COUNTRIES. IT IS FUNDAMENTAL TO U. S. POLICY THAT THE PRIVATE SECTOR CONTINUE IN THIS ROLE. IN ADDITION TO THE POLITICAL UNDERPINNINGS OF THIS POLICY, IT IS OUR EXPERIENCE AND CONVICTION THAT A PROFIT-MOTIVATED PRIVATE SECTOR IS BY FAR THE MOST EFFECTIVE MEANS FOR THE DEVELOPMENT AND TRANSFER OF TECHNOLOGY. THE PRIMARY MECHANISM FOR THE TRANSFER OF THESE FACTORS ARE DIRECT EQUITY INVESTMENT, JOINT VENTURES, LICENSING, AND MANAGEMENT AND KNOW-HOW CONTRACTS.

PART OF OUR TASK AND POLICY IS TO CONVINCE THE DEVELOPING COUNTRIES THAT ADEQUATE AND PREDICTABLE INCENTIVES MUST EXIST IF ACCESS TO PRIVATE CAPITAL, KNOW-HOW AND TRAINING IS TO FLOURISH, AND THAT GOVERNMENT INTERVENTION IS LESS IMPORTANT. AT THE SAME TIME, WE ARE FULLY COMMITTED TO, AND WILL CONTINUE TO ACTIVELY PARTICIPATE IN, THE WORK ON A CODE OF CONDUCT FOR TRANSFER OF TECHNOLOGY AS WELL AS PROPOSALS FOR REVISION OF THE SO-CALLED INTERNATIONAL INDUSTRIAL PROPERTY SYSTEM. WE BELIEVE, AND HAVE AMPLY DEMONSTRATED THROUGH OUR PROPOSALS, THAT THERE IS MERIT TO GUIDELINES FOR GOVERNMENTS AND ENTERPRISES WHICH SET FORTH TERMS AND CONDITIONS WHICH MAXIMIZE THE BENEFITS OF TECHNOLOGY TRANSFER. IT SHOULD BE ADDED THAT THIS IS AN EXTREMELY DIFFICULT AREA FOR US TO BE FORTHCOMING IN WITH REGARD TO THE DEVELOPING COUNTRIES' DEMANDS.

PARTIALLY ON ACCOUNT OF THIS LIMITATION, U. S. POLICY HAS EVOLVED TO AN EXAMINATION OF POSSIBLE ALTERNATIVE WAYS OF PROVIDING FOR CAPITAL, KNOW-HOW AND TRAINED PERSONNEL. SUCH ALTERNATIVES ARE MORE SIMILAR TO THE SECOND THREAD RUNNING THROUGH DEVELOPING COUNTRIES DEMANDS -- THAT FOR INSTITUTIONS. WE DO NOT SEEK TO SUBSTITUTE FOR PRIVATE INVESTMENT-ORIENTED TRANSFER OF TECHNOLOGY, BUT RATHER TO SUPPLEMENT IT. OUR OBJECTIVE IS TO ESTABLISH MEANINGFUL INTERNATIONAL PROGRAMS TO ASSIST THE DEVELOPING COUNTRIES.

A WIDE VARIETY OF MEASURES, INCLUDING SEVERAL U. S. PROPOSALS, ARE DESIGNED TO MAKE CAPITAL PUBLICLY AVAILABLE (IBRD, IMF, REGIONAL DEVELOPMENT BANKS, INTERNATIONAL RESOURCES BANK, INTERNATIONAL INVESTMENT TRUST, ETC.). SECONDLY, WE HAVE SUPPORTED NUMEROUS MEASURES WHICH WOULD DIRECTLY OR INDIRECTLY PROVIDE FOR KNOW-HOW AND TRAINED PERSONNEL. THESE INCLUDE A NETWORK OF R & D INSTITUTIONS, EXPANDED TRAINING PROGRAMS, AND INFORMATION FACILITIES.

THE POINT HERE IS THAT WE ARE SHAPING A BALANCED POLICY ON TWO FRONTS: ONE, TO MAXIMIZE THE BENEFITS OF PRIVATE TECHNOLOGY TRANSFER; AND SECONDLY, A SERIES OF INITIATIVES AND PROGRAMS TO PROVIDE FOR TECHNOLOGICAL CAPACITIES AND RESOURCES FROM OTHER SOURCES.

LET ME CONCLUDE BY RECITING A BIT MORE OF THE OBVIOUS.

TRANSFER OF TECHNOLOGY HAS BECOME A SUBJECT OF PRIME IMPORTANCE IN OUR RELATIONS WITH THE DEVELOPING COUNTRIES. IT CROPS UP IN EVERY FORUM WHERE NORTH/SOUTH ISSUES ARE DISCUSSED.

IN ASIA, AS IN MOST OF THE DEVELOPING WORLD, THE U. S. IS FACING INCREASED DEMANDS FOR TECHNOLOGY TRANSFER. AT THE SAME TIME, IT IS BECOMING MORE DIFFICULT TO MAINTAIN EFFECTIVE INDUSTRIAL PROPERTY PROTECTION.

FINALLY, AND MOST DIRECTLY TO THE POINT OF WHAT HAS BROUGHT US TOGETHER HERE IN HAKONE, THE U. S. GOVERNMENT

REGARDS THE PACIFIC INDUSTRIAL PROPERTY ASSOCIATION AS A VERY IMPORTANT CHANNEL OF COMMUNICATION WITH THE PRIVATE SECTOR ON INDUSTRIAL PROPERTY MATTERS. IN VIEW OF THE NUMBER AND IMPORTANCE OF THE JAPANESE FIRMS THAT ARE MEMBERS OF PIPA, I AM SURE THE JAPANESE GOVERNMENT REGARDS PIPA IN THE SAME WAY.

ADDRESS TO THE 7TH INTERNATIONAL CONGRESS OF THE PACIFIC INDUSTRIAL PROPERTY ASSOCIATION

Ishiro Katayama

Director-General of the
Japanese Patent Office

Mr. Chairman, Ladies and Gentlemen,

It is indeed a great honor for me to have been accorded this opportunity to address the Seventh International Congress of the Pacific Industrial Property Association. I avail myself of this occasion to express my respect and appreciation of the role played by your association since its establishment in 1970 in promoting mutual understanding and cooperation between the United States and Japan in the field of industrial property rights, thereby contributing to the development of the industrial property rights system throughout the world.

International developments related to industrial property rights are taking place at an extremely rapid rate nowadays, and we are called upon not only to cope with them, but also to actively participate in and contribute to their evolution.

I therefore consider this gathering most timely and significant in that it brings together for a free exchange of opinions influential figures in the field from both the United States and Japan. I fervently hope this exchange will prove very fruitful.

I wish to take advantage of this opportunity to describe for your information some of the important problems facing us.

The first is an international problem. The industrial property rights system is obviously international. It is a century since the Paris Convention was concluded to serve as the basis for the industrial property rights systems of various countries. However, it seems to me that the content of the word "international" has undergone a great change, for if the previous age sought international harmony and control, the present era pursues international cooperation.

The typical example of this trend is the PCT. The United States and the Federal Republic of Germany have already deposited their ratifications of this document. Judging from the proceedings at the WIPO general assembly last September and various related conferences I have attended, it seems to me that the various European countries and the U.S.S.R. will decide on ratification in the not too distant future, thus increasing the possibility that it will become effective next year.

This will be an epoch-making event. I wish to see Japan ratify the PCT as soon as possible, but, as I reported to the general assembly, it will not be before the autumn of 1978 that we shall be able to do so.

Our preparations are progressing. For instance, last year we revised the Patent Law and will ratify the IPC this

year. However, there are still considerable differences with existing domestic statutes that need adjustment. We have asked our Industrial Property Council to examine the matter and have sent study teams to various countries in America and Europe to research the interpretation of the text and its application. Our final plan is scheduled to be submitted to the Diet in the spring of 1978.

Another big problem is the revision of the Paris Convention. This question is moving towards realization as a result of the decision by the WIPO General Assembly to hold an international conference in the first half of 1978 to settle the matter. While the demands of the developing countries may be reasonable in some aspects, my feeling is that we must proceed very cautiously, taking into account the possibility of causing world-wide confusion in industrial property rights through excessive compliance. We must take a long-range point of view, avoid confrontation on trifling matters, and seek international cooperation in the true meaning of those words. It cannot be denied that we face a major test.

Now if we look at the internal situation in our country, we find another difficult problem. It is the continuing large backlog of unprocessed applications. I had the opportunity to talk to Mr. M. Dann, commissioner of the United States Patent and Trademark Office, during the recent Geneva conference.

He indicated he was worried about the time the examination process was taking in his country. However, I felt very envious of him when I learned about the difference in the nature of the problem he was facing. We have altered our system, increased personnel in considerable numbers each year, installed computers to handle operations and make searches, but, nonetheless, we have been unable to achieve adequate results. Moreover, we risk a repeat of the 1970 crisis should we allow matters to remain as they are today, for the trend in applications indicates a cumulative increase after registering a low in 1974.

Such a situation not only makes extremely difficult the prompt and adequate protection of industrial property rights, but naturally brings about a lowering in the quality of the examinations, which in turn creates uneasiness and confusion in the affected business circles, thus creating a vicious circle.

This situation has the effect of drastically limiting the activities of the Patent Office by, for example, making it difficult for us to deal with important international questions.

It is undeniable that the direct cause of this state of affairs can be attributed to the unusually high level of applications and requests for examination, which are, moreover, increasing by several percent each year. However, a substantial

proportion of these consist of excessively protective applications or those that are based upon insufficient preliminary investigations.

As we delve more deeply into the cause of this avalanche of applications and our response, we find a very complicated situation that cannot be described in a few words. There are problems within our office as there are problems on the applicants' side. Unless we succeed in breaking this vicious circle, we cannot hope for a healthy development of the industrial property rights system in our country. That is why I hope we will be able to solve this unusual situation as quickly as possible by dealing with the problems with all our abilities, taking into consideration the fact that the industrial property rights system is now entering an increasingly important stage.

I have referred to some of the important problems we face in the hope that this information will prove useful.

It is cold in Hakone, but this is one of the best seasons in Japan. It is my wish to all of you who came from America that you will find time in your discussions of industrial property rights to enjoy this excellent season and have a pleasant stay. Thank you.

REMARKS OF C. MARSHALL DANN TO BE DELIVERED AT
PIPA MEETING IN TOKYO, JAPAN, NOVEMBER 5, 1976

Introduction

Please let me begin by extending my personal regrets that I am not able to be with you here today. You, of course, have my wishes for a very successful and fruitful meeting.

Not being able to join you in person, let me risk contradicting the noted social commentator Marshall McLuhan by suggesting that the "message" is more important than the "medium". In fact, you may even find the "medium" of Mr. Levine preferable. In any event, I would like to provide you with an update on some of the recent activities of the U.S. Patent and Trademark Office.

Within the last decade or so, economists and governments alike have recognized what those of us gathered here have known for a long time -- that an economic system based on growth and productivity requires an additional factor, technology, to complement the traditional economic factors of capital and labor. This recognition is well-deserved because it is technology which is the heart of the development process and which is fundamental to future economic and industrial growth. Japan's unprecedented economic resurgence proves the contention that the successful use of technology,

coupled with good management and adequate capital, is among the most important tools for industrial and economic development.

Technological interdependence has become a fact of life in our shrinking world. The scope of international trade in technology and technology-intensive products now extends across an ever-increasing number of territorial boundaries. Today, no nation can achieve the goals it sets for its people without commercial and political relationships with most of the other nations of the world.

One example of this technological interdependence is the fact that although the United States is generally considered to be a technological leader, in 1974 U.S. companies purchased approximately 400 million dollars worth of technology from foreign sources which was either not available in the United States or could be obtained on better terms abroad.

Patent Cooperation Treaty

Another example is the cross-filing of patent applications in several countries. In 1973, inventors from all countries filed more than 390,000 patent applications in countries

other than their home country. This, of course, results in redundant applications which are an undue burden and cost for both inventors and national patent offices.

A significant advance in the international patent community has been the development of the Patent Cooperation Treaty (PCT). This Treaty was unanimously approved by a Plenary Session of the member States of the Paris Union at the Washington Diplomatic Conference in the Spring of 1970. At the conclusion of the conference the Treaty was signed by 20 member States of the Union and an additional 19 countries signed before the Treaty was closed for signature at the end of 1970.

As you are all well aware, the PCT has been designed to save effort both for applicants and national patent offices in the handling of applications concerning the same invention filed in one or more countries. Additionally, the Treaty is designed to increase the likelihood of issuing strong patents in countries not having all the facilities required to do a thorough search and examination.

The basic feature of the Treaty is, of course, the filing of a single international patent application in one language with one patent office. This international application would

have, from its filing date, the same effect in each of the contracting States designated by the applicant as if he had filed separate, national applications.

The PCT offers a number of advantages to inventors, to national patent offices, and to the public in general. The uniform format for international applications will make it easier for an inventor to seek patent protection in several countries. Unnecessary costs can be eliminated since an inventor will have additional time in which to decide whether to file applications in other nations. International Search Reports will permit a more thorough search and examination.

The United States, the Federal Republic of Germany and eight other countries have already deposited their instruments of ratification or accession to the Treaty. Under the terms of Article 63, only two other countries of "major" patent activity must deposit their ratifications in order to bring the Treaty into force. We fully expect that the additional required ratifications will be deposited early next year.

The United States Patent and Trademark Office is currently making preparations for processing the first international applications which are expected in late 1977. We are making

every effort to insure that our search files comply with the Treaty requirements for an International Searching Authority. The necessary non-patent publications are being obtained and catalogued. We have initiated an IPC pilot project working toward a common classification system to help insure a common search file.

Trademark Registration Treaty

As the name of the United States Office implies, we believe patents and trademarks go hand in hand. We realize that the problems, redundancies and costs resulting from the multiple filing of patent applications were the same as for trademark applications filed in more than one country. In this spirit, the United States took the initiative which led to international discussions concerning either a revision of the Madrid Agreement or a new treaty arrangement concerning trademarks. These discussions culminated in the Vienna Conference in June of 1973. At this conference the United States and seven other countries signed the Trademark Registration Treaty (TRT). The TRT does not supplant national registration. Instead it provides an alternative, less cumbersome procedure for obtaining trademark protection in a number of countries. It would establish a trademark filing

arrangement by which a resident or national of a member country could, by filing a single international application, obtain a registration which is applicable in each of the designated member countries. Substantive rights in each country are for the most part regulated by its own national law.

The President forwarded the TRT to the United States Senate for its advice and consent to ratification on September 3, 1975. The Department of Commerce forwarded draft legislation necessary to implement the Treaty to the Office of Management and Budget in November of 1975. Unfortunately, clearance could not be obtained before the end of the 94th Congress. We do, however, anticipate introducing a bill early in the 95th Congress.

Rule Changes

In recent years there has been extensive public discussion concerning the quality and reliability of the United States patent system. Much of it stemmed from a 1966 Report of the President's Commission on the Patent System. As a result, many patent revision bills have been introduced in Congress, although to date none have been enacted into law. Although it was recognized that certain proposals made in the various

bills could be implemented under the Commissioner's rule-making authority, we felt that while such provisions were under active consideration by the Congress, we should not be muddying the waters by proceeding to write new rules.

The situation has now changed. Since the House of Representatives took no action on the Senate-passed bill, S. 2255, it may be two or three years before any major patent legislation can come into effect. Under these circumstances we thought it appropriate to take a hard look at the bills and to see how many desirable provisions can be implemented through rule changes. These rule changes are separate and apart from the rule changes we are considering in the PCT area. We identified a number of possibilities and published a package of proposed rule changes in the Federal Register on October 4th of this year. A public hearing will be held on December 7th in the Patent and Trademark Office.

Proposed rule changes may be grouped into eight major areas:

(1) They would expand the reissue procedure to permit patent owners and others to bring prior art not previously considered to the attention of the Office more readily;

(2) They would assist examiners by providing them with "patentability statements" in all applications;

(3) They would define and clarify the duty of applicants and others to bring information relevant to pending applications to the attention of the examiner;

(4) They would modify the requirements for oaths and declarations to help insure that relevant information is disclosed and is in a language understood by the applicant;

(5) They would make available to the public, Office decisions that would be of important precedent value;

(6) They would refine the existing rules governing public use proceedings in protest to the grant of patents;

(7) They would modify appeal procedures to authorize, in appropriate areas, oral arguments by examiners and rejections of allowed claims by the Board; and

(8) They would create a more complete record of reasons for allowing patents.

In addition to strengthening the examining and appeal procedures, the proposed rules might serve as models for subsequent legislation or, if implemented, might simplify subsequent patent revision efforts by dispensing with the need for certain changes. Let me emphasize that no final decision to proceed in this way has yet been made. If you have thoughts on whether or not it is a good idea, please let us know. I assure you that your views will be carefully considered.

Conclusion

These are exciting times for those of us involved in intellectual property. In the United States we have just enacted a new copyright law which makes some fundamental changes in the old law which dated back to 1909. The Patent Cooperation Treaty is on the horizon and we are hopeful that the Trademark Registration Treaty is not too far behind. There is an increased awareness throughout the world of the fundamental importance of technology and technological innovation.

Japan is a shining example of a nation which nurtured the flow of technology, thereby changing from a developing status, just 30 years ago, to the strong industrialized

country it is today. By protecting technology through its national patent laws, largely modeled along the principles of the Paris Convention, Japan was able to stimulate the flow of investment capital and new technologies by foreign investors and technology owners. By creating an investment climate which encouraged the transfer of technology to Japanese companies, Japan became the industrial giant that it is today. It is that spirit, that awareness of the role of technology in economic and industrial growth which I hope will spread throughout the world.

Summation of PIPA Congress

by PIPA President, T. Aoki

I am very happy to be able to clearly tell you that the Seventh Hakone International Congress of Pacific Industrial Property Association is now going to be closed with a great success. I feel this is mainly attributable to very good preparations by both American and Japanese members concerned. It was also really quite helpful for the Japanese Committee for the Congress preparation headed by Mr. Teshima to get a copy of each presentation paper well in advance of the Congress opened.

I wish to express our great appreciation to the Honorary Chairman of this Congress, Mr. Fujiyoshi for his acceptance of this important role and presenting kind speech at the opening ceremony.

I was very pleased to have Mr. Mellor, Counselor for Commercial Affairs, Embassy of the United States of America and to listen to his really interesting speech directed to the US policy concerning transfer of technology.

I should also mention that we were pleased to have Mr. Katayama, the Director General of the Japanese Patent Office here in the morning of the first day and get his words concerning the current problems of industrial properties and of the Japanese Patent Office.

I note that Mr. Shiroshita, Engineer General of the Japanese Patent Office is scheduled to be here at the luncheon today and will give us some speech.

I was very pleased to hear the message of the honorable Commissioner of Patent and Trademark Office, Marshall Dann as delivered by Mr. Levine, which included various information relating to recent activities of the United States in the field of industrial property right.

Taking into consideration the shortage of time we faced at the Boston Congress for questions and discussions after each presentation, we tried in this Hakone Congress to provide sufficient time for questions and discussions. For this purpose, our original intention was that number of papers presented in this Congress was to be reduced. As you know well, however, I have to admit that we could not achieve this goal straightly, facing with the fact that we have so many important and interesting topics to be mutually discussed here.

We also tried to introduce in the Congress a new type of discussion, that was the panel discussion. I believe this type of discussion could be fully supported by you to be again produced in the next Williamsburg Congress.

I was most impressed by high quality of the reports as presented by each speaker.

Committee No. 1 presented a big number of reports, as usual, for which I wish to congratulate the enormous jobs made by Committee No. 1.

It was really useful and meaningful to have had a chance to discuss in some detail the problems that the Japanese Patent Office is now facing in connection with everincreasing number of filings of patents and utility models and unexpected big ratio in the request of examination in recent years, based upon the presentation made by Mr. Koseki. Mr. Saotome suggested cancellation of utility model system for solution of this problem though we had no sufficient time for its further elavolation. In any case, there exists certainly some special background characteristic of Japanese industry for such increase of filings, and we sincerely hope the Japanese Patent Office should not try to take near-sighted countermeasures but to improve the situation through really appropriate and internationally acceptable means.

"Inventorship Discrepancies" was the item with which I believe all Japanese patent experts have a great concern and Mr. Jorda's speech was quite interesting.

It becomes habitual in the PIPA Congress to get a news about "the U.S. Patent Law Revision" and I expect Mr. Anderson to make another fine job in the next meeting on this same topic.

Three speeches on fraud of U.S. patent cases presented by Mr. Mayer, on current patent status regarding computer programs in US and Europe presented by Mr. Shipman and on plant patent protection presented by Mr. Clark were all very useful for Japanese attendants and I hope the balks on inventive step and late decisions of patent cases presented by Mr. Kachu and Mr. Kataoka, respectively were equally informative to our American friends.

Each one presentation was introduced in this Congress for trademark area; "Current Developments in US Trademark Law" from the US group by Mr. Keating and "Protection for well-known Trademarks in Japan" from the Japanese group by Mr. Tasaki. Both are interesting topics.

Committee No. 2 presented today three topics all very useful to all of us.

Novo Case, as indicated by speaker, Mr. Tomita has significant meaning in a sence that the Japanese court showed some concept on the extra-territorial application of the Anti-Monopoly Act Art. 6 para 1.

Mr. Gilkes presented very interesting and important topic relating to the transfer of technology into developing countries from the viewpoint of impact on int'l licensing. Mr. Takayanagi, overall chairman of Committee No. 2 added

some interesting comments from Japanese experiences.

"Exception Clause in Secrecy Provisions of License Agreement" was third presentation of this Committee and the speaker, Mr. Shimada presented a useful discussion.

One of the highlights in the three day discussion was the panel discussion by the three panelists, Mr. Adams, Mr. Levine and Mr. Matsui, on the revision of the Paris Convention and Model Law for Developing Countries. The discussion was not only very useful to clarify the various points now under debates of pros and cons internationally especially between developed and developing countries, but also quite helpful for summarlizing the opinions, majority of PIPA members have, for preparation to the forthcoming first session of the Preparatory Intergovernmental Committee in this month in Geneva to which we hopefully sent two delegates as observers.

Recent Development on Canadian patent Law Revision was reported by Mr. Clark according to the decision of the joint Board of Governors meeting held Monday this week here and I am pleased to confirm here again that a PIPA position paper was adopted in this Congress for the submission to the Canadian government. Mr. Clark also presented a topic on movement of other countries belonging to the third world, following very active exchanges of view.

PCT is expected to enter into force in a forseeable near future. It was very opportune and useful to have had two presentations, one from the U.S. practical viewpoint and the other explaining Japanese development presented by Mr. Kalikow and Mr. Okabe, respectively.

There was a paper presentation prepared by Mr. Ono concerning deposit of microorganisms in patent procedure.

Another highlight in this Seventh Hakone Congress was a lecture received from Lawyer Shinagawa titled "One Aspect on PIPA Conciliation System". As fundamental preparation for PIPA conciliation system completed, I hope the system will become operative and be utilized in near future and can prove it is a good system to use. It is needless to say that we can be very flexible so that if there is some point to be modified, then the system should be improved by such modification from time to time, whenever necessary.

We unanimously adopted in this Congress that both American and Japanese groups will take necessary stops to modify the PIPA by-laws so that the Board of Governors of each group shall include the two most recent ex-presidents who are still qualified to serve as officers of the association.

I should not forget to refer to the great contribution of Mr. Teshima and his members in the Congress arrangement Committee to the success of the Hakone Congress. They have made our Congress most comfortable and meaningful including the sightseeing tour and night sessions, combined with the efforts by Mr. Okano, Secretary Treasurer who worked very patiently and effectively for these several months to make the Hakone Congress successful. I must also thank Mr. Fukazawa and his staffs in Fuji Film Co. which locates in this area, for their extending extensive and kind assistance for the Hakone Congress.

I would also like to thank Mr. Levine and Mr. Bell. With constant assistance from them we could smoothly proceed preparation of this Congress.

Lastly, we, the Japanese members are especially pleased to have fairly big number of attendants from the United States so that we could have a meaningful international exchange of views in this Congress.

May I anounce you that besides Japanese and American we also had a British National joined this Congress from an affiliate of American Corporation. He is Mr. Hurst.

Recognizing the increasing importance to have place for exchanging views on international basis I sincerely hope that we, the Japanese Group can send many members for the next Williamsburg Congress.

I again thank you, all the attendants for coming to this Congress and thank fine jobs of three interpreters including charming young ladies.

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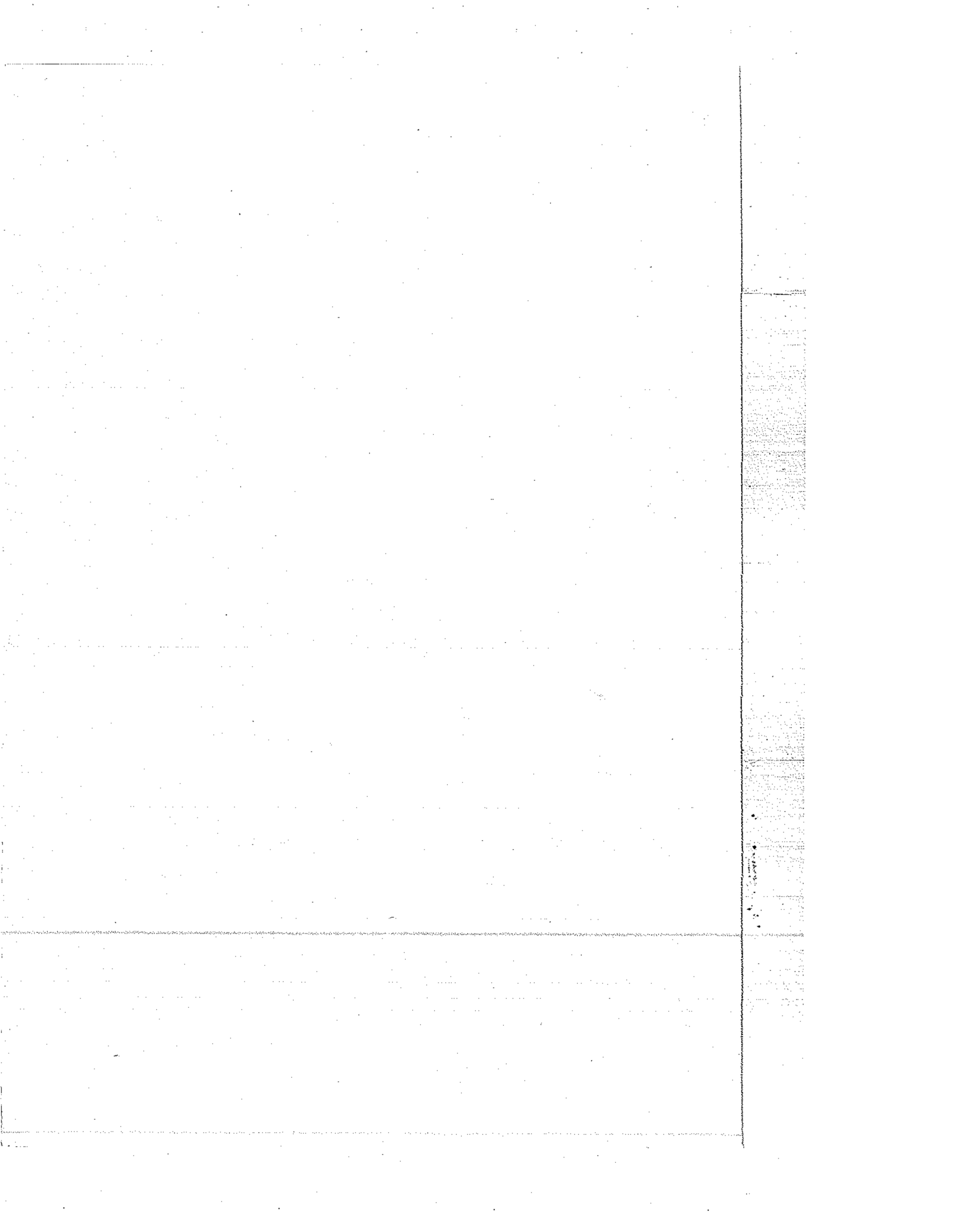
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INVENTORSHIP DISCREPANCIES BETWEEN FOREIGN PRIORITY AND U.S. APPLICATIONS

PIPA SEVENTH INTERNATIONAL CONGRESS

NOVEMBER 9-11, 1976

Hakone, Japan

U.S. Group Committee No. 1

KARL F. JORDA
PATENT COUNSEL
CIBA-GEIGY CORPORATION
ARDSLEY, NEW YORK

Introduction

MINASAN OHAIO GOZAIMASU

WATAKUSHIWA KOREKARA AMERICANI OKERU

HATSUMEISHA HYOJI NO MONDAI NI TSUITE

OHANASHI ITASHIMASU

According to recent statistics of the U.S. Patent & Trademark Office, Japanese inventors are now first among foreign patentees in the U.S. I am sure you know this but if not let me be the one to mention this bit of good news to you first. Yes, in 1975 the Japanese finally went ahead of the Germans: Almost 6600 U.S. patents issued to Japanese and less than 6200 to Germans.

For this reason and other reasons which I will go into shortly, my topic today might be of special interest in Japan.

In my talk today I will show you how to live with inventorship discrepancies. In particular, I will suggest to you how to get off the two horns of the dilemma that foreign inventors find themselves on in naming inventors for U.S. applications.

As a general rule foreign applicants have filed U.S. applications based on foreign priority applications with identical inventorship. Following this practice, they often either got invalid U.S. patents if they put on too

many coinventors or created problems for themselves in the priority countries if they put on too few inventors.

I am now contending there is nothing wrong with a foreign priority application that lists, e.g., ten inventors and a subsequent U.S. counterpart application that names only, e.g., two inventors.

But let us lead up to that conclusion by first briefly talking about U.S. inventorship designation especially with regard to joint inventorship for a better understanding and appreciation of my thesis.

In this day and age, the lone garret inventor is almost an extinct species. Inventions are the domain of corporate or institutional inventors. They invent jointly.[1] Their inventions are esoteric organic chemical compounds or intricate electronic machinery. As joint inventors or coinventors and serviced by large corporate patent departments or patent law firms they file not merely one patent application and not just in one country but many applications in quite a few countries. In other words, on any such inventive development they file a series of basic and improvement applications, continuation and divisional applications and product, apparatus, process and use applications and/or claims and corresponding Convention or non-Convention applications abroad in perhaps up to 100 countries or even more.

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1. While psychologists may still maintain that inventive activity is essentially a highly individual activity, it cannot be denied that cross-fertilization, stimulation and synergism occur in joint discussions.

The coordination in filing and prosecuting all these applications is a very difficult task in view of the complexity of the subject technology, the criticality of timing and the differences of the patent systems, not to mention the difficulty of determining who the inventors are.

Proper Joinder of Inventors is Critical in the U.S.

As all of you know, in the U.S. the correct designation of the true inventors is essential, if not critical, to the validity of the resulting patent. This principle is derived from a Constitutional provision - hence the inflexibility. Only since the 1952 U.S. Patent Act has it been possible to correct a wrong inventorship designation but only if it occurred by way of an inadvertent error and correction was diligently sought.

In my experience untold hours are wasted in discussions with inventorship claimants in inventorship determinations in team research situations. In a recent case Judge Newcomer called joint inventorship "one of the muddiest concepts in the muddy metaphysics of patent law." [2] There are no precise rules to help out; there are but a few guideposts which are quite technical and often difficult to apply to concrete situations. They present many pitfalls, even to U.S. practitioners. It is even worse when one also tries to

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2. Mueller Brass Co. v. Reading Industries, Inc., 176 USPQ 361 at 362 (E.D. Pa. 1972), aff'd, 180 USPQ 547, (3rd Cir. 1973).

3. US Code, Title 35, Section 116 (Joint Inventors) merely states that "when an invention is made by two or more persons jointly, they shall apply for patent jointly..." without setting forth what a joint invention is.

cope with the rule - as one must - that all claims must cover the coinvention of all named inventors. This rule compounds the difficulties manifold. All this is a big topic by itself and an interesting and important one. But any detailed treatment is beyond the scope of this talk.

Suffice it to mention that there is an excellent and comprehensive article on this matter in the recently-issued 1976 Patent Law Annual[4], entitled "Resolving Inventorship Questions" and authored by Dudley R. Dobie, Jr. with chapters on "The Necessity of Resolving Inventorship Questions", "Interviewing Inventor Candidates", "Other Counseling Considerations", "Factors to Consider in Reaching a Decision on Inventorship", "The Pitfalls of Error", etc.

Laxity In Foreign Countries

In contrast to the strict legal requirements as regards inventorship designation in the U.S., there is great laxity in this respect in most foreign countries including, as I understand it, Japan. In the U.S. the inventors themselves must apply, in other countries assignees can apply. In some countries assignee applicants need not even mention the inventors. The general rule outside of the U.S., with the possible exception of Australia, Canada and Great Britain, is that inventorship designation has no bearing on the fate of a patent and is no ground for invalidity of a patent. The naming of coinventors is done rather liberally

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4. Matthew Bender, 1976.

and generously and, hence from a U.S. point of view, often incorrectly. To mention but two questionable examples from a recent Official Gazette, U.S. Patent No. 3,962,102, issued to ten Japanese nationals covering only one compound and U.S. Patent No. 3,969,104 issued to 21 Russion nationals claiming a narrowly defined magnesium salt-powder. Recently, I had occasion to evaluate a U.S. patent which issued to seven Japanese citizens on an improved product work-up procedure. I had to conclude that this inventorship designation cast a cloud on the validity of the patent.

More specifically, with respect to inventorship designations among earlier foreign and corresponding later U.S. applications, three practices seem to exist or are possible. First, we have the situation exemplified in the above-mentioned patents. The foreign priority application is filed in the names of all those who contributed in one way or another in accordance with the prevalent practice in the given country and without consideration of U.S. tests of coinventorship. If and when a U.S. application is later filed, it is filed in the same number of inventors as in the priority application. Any issued patent carries the same names, too. The consequence of this practice, of course, is that the inventorship designation, perfectly correct under the given country's laws, may be completely wrong, and worse yet, perhaps even beyond correction, under U.S. law. This practice represents perhaps an early, less sophisticated stage.

A second possible practice, or perhaps a more advanced and sophisticated stage, is the following: The foreign priority application is filed in the names of only those individuals who are true coinventors under the strict U.S. rules, and any subsequent U.S. application has identical inventorship. In a recent article in a German patent law publication[5] by Seeger & Wegner, entitled "Open Questions of Coinventorship", the authors urge strongly that because of U.S. requirements most careful inventorship determination be made for German priority applications. It would appear that this is a better practice, even apart from the fact that no discrepancies arise. It certainly is the easy way out. It should be followed where it can be done conveniently. Having satisfied the requirements of the country with the most stringent standards, it stands to reason that one should have no problem in any other country.

Inventorship Discrepancies

However, this practice is not ideal. It leaves something to be desired. It is not satisfactory in countries like Japan, Germany and also Switzerland and most others. In Germany because of the famous Inventor Compensation Law it is highly desirable, if not indispensable, to name more coinventors than is compatible with U.S. requirements.

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5. Mitteilungen der Deutschen Patentanwälte (Communications of the German Patent Lawyers), 66, 1975, pp. 108-112.

Under established policies and precedents they are entitled to a share of the compensation due employed inventors. While in other countries the designation of additional inventors (who would not go on the application under U.S. practice) may not be compulsory, it may nonetheless be preferable to do likewise for the sake of morale, motivation, incentive, cooperation, team spirit and avoidance of tension and confrontation which is especially desirable in the Japanese society. Apparent inventorship discrepancy would result here. But is this so bad? There are many differences in existing patent systems and the laws affecting inventorship designation also differ around the world, unless one believes in a universally applicable concept of joint inventorship. Why should strict U.S. standards based on a U.S. peculiarity have to be followed in countries like Japan, Germany, Switzerland? Besides, since it is very difficult for U.S. practitioners to sort out inventorship when several coworkers contributed to an invention, it would be next to impossible for foreign practitioners to do this in their own countries.

The third possible practice and perhaps the best and most sophisticated one then is to file deliberately foreign and U.S. counterpart applications with discrepant inventorship designations where appropriate. This practice is not without drawbacks and complications in the U.S. In interferences and

in litigation opponents may base an attack on different inventorship. Thus, trouble may arise in the Patent & Trademark Office and in courts.

In this connection, let me point to recent experiences I had in two interferences. We moved to convert inventorship in our issued U.S. patents involved in these interferences[6] establishing A, B and C as joint inventors while the Swiss priority applications had been filed on behalf of A and B only and we moved to claim the benefit of the filing dates of the Swiss priority applications. While the former motions were approved in principle, the latter motions were denied for the specific reasons that while the Swiss Convention applications complied with Section 119 "with regard to support for the subject matter of the count(s)", they did not comply with Section 119 "relative to identity of inventorship".

Actually, this has happened to other U.S. practitioners also and is not inconsistent with provision 201.15 of the Manual of Patent Office Procedure: "If there is disagreement as to inventors on the certified copy, the priority date should be refused until the inconsistency or disagreement is resolved". Note this does not say that reliance on priority is forever barred. It merely calls for a resolution of the apparent discrepancy by explanation or otherwise.

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6. Interferences Nos. 98,271 and 98,272; U.S. Patent Nos. 3,629,257 and 3,629,258.

In our interferences which I just mentioned the Examiner cited Schmitt et al v. Babcock et al,[7] and stated that "here, unlike the situation involved in Schmitt, conversion does not appear to have been effected in the Patent Office of the convention country so as to obtain identity of inventorship in both the U.S. and the convention country". Why this requirement of identity of inventorship and conversion of inventorship in the foreign priority application? What counts is identity of invention not of inventorship. Section 119 nowhere refers to "identity of inventorship" but merely uses the phrase "the same invention".

I believe the Patent & Trademark Office is clearly in error and in disregard of its own precedents in requiring identity of inventorship. In the 1971 decision Payne v. Natta et al,[8] the Board of Interferences gave the party Natta, Pino and Mazzanti (Patentees of USP 3,112,301 on Isotactic Polypropylene) the benefit of its Italian filing date under Section 119 since its Italian application was regularly filed on behalf of all three coinventors even though only one was named as permitted by Italian law which was fully explained in the record. In so holding the Board pointed out that Natta et al did not have to comply with Section 116 and Rule 45 for the foreign application to have been "regularly filed", nor did each inventor have to have made an equal contribution to the invention for them to be considered joint inventors.

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7. 153 USPQ 719 (CCPA 1967). In this case it was certified that inventor B of the joint (A and B) US application was added to the French application filed in the name of inventor A only.

8. 172 USPQ 687 (Bd. Intf. 1971).

In another interference back in 1964 involving Ciba and Merck, described in the published Reichstein et al. v. Brink et al.[9] decision, the Board of Interferences accorded Ciba priority in a situation where the U.S. application was filed in the name of nine inventors based on several Swiss priority applications each of which had fewer and different inventors.

It was also held in the Reichstein case[10] as well as in Joseph Bancroft & Sons v. Brewster Finishing Co.,[11] and intimated in a number of other earlier decisions[12] that priority obtains where the U.S. application acknowledges the priority application by giving country of filing, filing date and serial number and the certified priority application gives corresponding data.

Thus it is clearly manifest that it is identity of invention that counts and not identity of inventorship and discrepancy in inventorship is not per se objectionable or rejectable.

Finally, I want to mention the recent CCPA decision, Fontijn v. Okamoto,[13] which is also noteworthy.

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9. 147 USPQ 115 (Bd. Intf. 1964).

10. Ibidem at 116.

11. 98 USPQ 187 (D.C. N.J. 1953)

12. Steel et al. v. Myers, 205 O.G. 1021 (Com. 1914)
Ex parte Mattlet, 347 O.G. 10 (1926)
Michelin et al. v. Hayes Wheel Co., 300 F. 458 (D.C. Mich. 1924)
DeJohn v. Gaus et al., 369 O.G. 488 (C.A. DC. 1928)

13. 186 USPQ (CCPA 1975)

The CCPA stated in a footnote[14] that the "Interference Examiner determined that a sufficient showing had been made that (A) was the sole inventor of the subject matter of U.S. Patent No. 3,447,308 and this issue has not been raised in the appeal" and the CCPA held that reissue was possible for the purpose of perfecting a claim of priority (without being violative of Section 251 due to broadening the scope of the claims) though the Dutch priority application in question had been filed in the names of three inventors.

Conclusion

While the practice in the U.S. Patent & Trademark Office may be unsettled on how to deal with inventorship discrepancies and this may cause certain problems and difficulties especially in interferences, I submit - and precedents and common sense and logic support this - that the following should take care of the problem: an explanation of the reasons for the apparent discrepancy, as was done, e.g., in Payne v. Natta and Fontijn v. Okamoto, or perhaps inventorship conversion as in Schmitt v. Babcock in the foreign priority application, where appropriate and still possible, which is apparently

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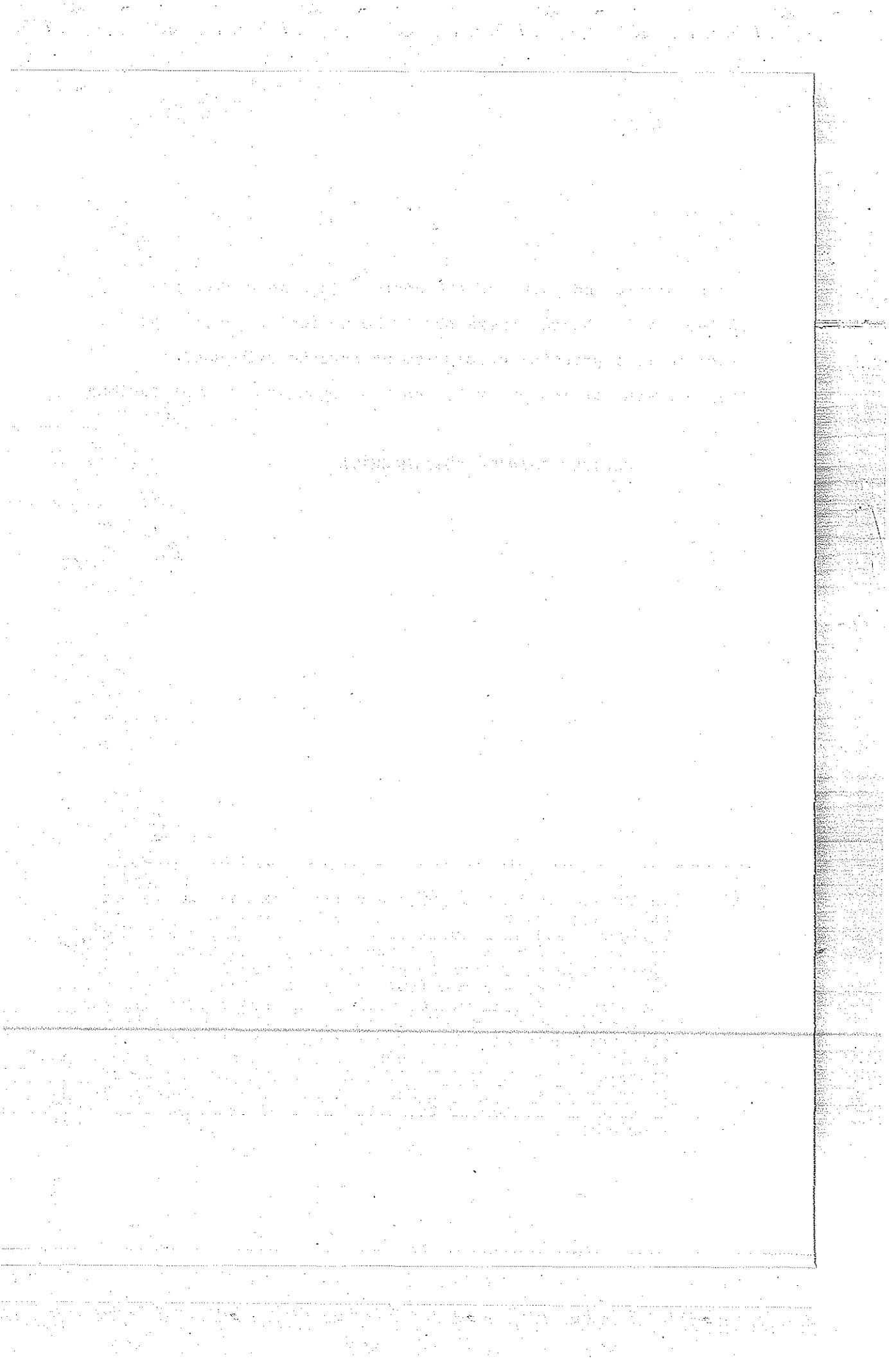
14. Ibidem at p. 100

a very simple and painless procedure[15] (unlike conversion in the U.S.). Hence, there should be no real objection or obstacle to a practice of discrepant inventorship designation between foreign priority and U.S. counterpart applications.

GOSEICHO ARIGATO GOZAIMASHITA

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15. "In the United States you can change the inventors in a patent application by indicating that you had used diligence and have justification for wanting the change. You have to present the facts. But if you base your application on a foreign priority application and it has two inventors, you can take one out by stroke of the pen. The foreign Patent Office will often accept that and the United States Patent Office including the CCPA, will say it's perfectly alright. Never mind that it should be treated like a U.S. application, they're not going to do it." Statement made by Mr. W. A. Modance, Chairman, Board of Interferences, during a Modern Interference Practice Panel, Cincinnati, September 25, 1975 (p. 3 of Transcript of Proceedings).



Some problems the Japanese Patent Office is now facing and how to improve them.

November 9, 1976
Japanese Group, Committee 1
K. Koseki
(Idemitsu Petrochemical Co., Ltd.)

Summary

As a result of the partial amendment made to the Japanese Patent Law in 1970, the burden of examination on the Patent Office was temporarily mitigated. Thus, there was an indication that a volume of pending applications would be gradually decreased. But applications have resumed to increase and the rate of their examination-requests has become higher. Thus, pending applications are being piled up year after year, as they were before.

In order to cope with such situation, the Japanese Patent Office has formulated a policy for a better treatment of patent and utility

model applications and the examination-request under the ministerial decision of MITI (May 24, 1976) and made a stronger request for cooperation from private enterprises in Japan.

In this report, we have studied the various data, comments and opinions which the Patent Office has so far published, and, in an attempt to improve the present patent situation, analyzed the situation in Japan for the better corporation patent management.

1. Introduction

The Japanese Patent Law was partially amended in 1970 and earlier disclosure system and examination-request system have been adopted. For a short period of time the burden of the examination on the Patent Office was mitigated and a large volume of pending applications were to be gradually disposed of.

However, the applications have resumed to increase and the rate of their examination-request has become higher. Thus, pending applications are being piled up year by year, as they were before.

Under such circumstances, the pendency of the applications has been prolonged and inventions may not be reasonably protected. This will be prejudicial to the basic purpose of the patent system.

In view of such crisis in the patent administration, the Japanese Patent Office has

formulated a policy for a better treatment of patent and utility model applications and examination-requests under the ministerial decision of MITI (May 24, 1976) and made a strong request for cooperation from private enterprises in Japan.

Taking into consideration such policy, we have studied various data, comments and opinions which the Patent Office has so far published. We have analyzed the present patent situation in Japan for the better corporate patent management.
In an attempt to improve the present patent situation,we have studied what we should do for appropriately protecting inventions and how applications should be treated.

It is to be understood that our report may not necessarily have a definite conclusion or solution, or rather will present you with problems to be solved. We expect that all of you present here will give us your comments and opinions and develop a lively discussion.

2. Present Situation of Applications and Examination-Request

According to an explanation given by the Patent Office, the number of patent and utility model applications in Japan was 316,665 in 1974 and 332,815 in 1975. This is an extremely high rate in the world. The rate of increase has been 61% over the past 10 years. This is considerably high, considering the fact that their rate remains more or less the same in advanced industrial countries.

There has been a particularly high rate of increase in applications filed by corporations. The increase was 120% over the past 10 years. The rate of examination-request (actual or forecasted) is about 70 - 80%. This is considerably high, compared with the figures in Holland and West Germany who have earlier adopted the examination-request system. The period of time required on the average for disposing of a patent or utility model application in our country has been shortened down to 2 years and 10 months as of

the end of March 1975. But, thereafter, it showed again a longer pendency. If the rate of increase in applications and the rate of their examination-request remain the same, the pendency will further tend to become longer for the future (see Table 1).

Then, what is particularly problematical is the substance of applications of which requests for examination are made. The Japanese Patent Office makes a hasty judgement that the substance of applications may not be generally high, since the rate of our foreign applications from Japanese applications with our domestic applications is relatively low. We cannot agree with this portion of the view held by the Patent Office.
But we must note the other portion of their view that, since there were finally rejected about half of the applications of which examinations were requested, a considerable part of those applications might not have been filed or their examinations might not be requested, if prior search been properly conducted.

Table 1

YEAR	I	II	III	IV	V	VI	VII
Shc 35('60)	105,710	97.2	100.0		105,849	235,528	2 Y. 3 M.
36('61)	115,603	109.4	109.4		104,824	246,309	2 〃 4 〃
37('62)	152,733	132.1	144.5		104,577	294,465	2 〃 10 〃
38('63)	174,654	114.4	165.2		104,460	364,659	3 〃 6 〃
39('64)	179,239	102.6	169.6		119,182	424,716	3 〃 7 〃
40('65)	195,561	109.1	185.0		145,368	474,909	3 〃 3 〃
41('66)	203,121	103.9	192.1		132,567	545,463	4 〃 1 〃
42('67)	195,843	96.3	185.3		132,760	608,546	4 〃 7 〃
43('68)	217,973	111.3	206.2		145,871	680,648	4 〃 8 〃
44('69)	234,329	107.5	221.7		149,920	765,057	5 〃 1 〃
45('70)	257,788	110.0	243.9	11,012	159,062	832,480	5 〃 3 〃
46('71)	256,297	99.4	242.5	77,528	171,591	738,417	4 〃 4 〃
47('72)	284,355	110.9	269.0	88,452	185,172	641,697	3 〃 6 〃
48('73)	288,961	101.6	273.4	107,847	173,666	575,878	3 〃 4 〃
49('74)	316,665	109.6	299.6	140,031	185,706	530,203	2 〃 10 〃
50('75)	332,815	105.1	314.8	209,524	178,481	561,246	3 〃 2 〃

I. Number of Patent and Utility Model Applications

II. Ratio to previous year (%)

III. Index

IV. Number of cases examination requested

V. Number of cases disposed of (A)

VI. Number of pending cases as of year-end (B)

VII. Average period of disposition (B/A)

If many applications are rejected as mentioned above, useful inventions and utility models will be caused to be delayed in obtaining patent right and will not be afforded proper patent protection. Further, the development of industry will be hampered and the purpose of patent system will not be attained. Thus, it becomes further necessary to accellerate the examination of patent and utility model applications and treat more properly their examination-request.

3. Major Causes for Increase in Applications

(1) Problem derived from the industrial structure

As you know,Japan enthusiastically introduced technology from the United States and European countries in order to fill up the technological vacuum after the war. This has brought about such a success in industry as we have now. We consider that this is because the greater part of the technologies introduced have been protected by patents and utility models in Japan. A huge sum of money has been spent for the introduction of technology. This is

the background which may have induced us to have more interest in the patent system. In and after 1960, there has been grown in this country a tendency for developing our own technology and obtaining patent protection thereover. This has resulted in our more strenecus research activity and increased patent applications.

The technology developed has changed our industrial structure; from light-industry center to heavy-industry center, and played a major role in increasing our GNP and bringing about a large-scale growth of our economy.

The hitherto development of our industry and economy is considered to be due to the importation of relatively large quantities of required resources at a relatively low cost.

However, the world economy has been thrown into a depression by the energy crisis emerged

toward the end of 1973. Today there have remained a number of problems which we must solve in order to save resources. In this juncture, we must develop further novel technology in order to make stronger the latent growing power of our economy and better the welfare of our people. This is the most important task imposed upon us.

The latest tendency is that technology is being systematized and diversified, or have been complicated and advanced, in order to meet the needs of growing and diversifying society.

Such technological tendency has greatly affected the manner of utilizing patent rights. It has become difficult to protect inventions by a handful of patent rights having the basic patent as the center, being different from an epoch-making technology.

The present situation is that there is a need for "patent network" comprising a number of

patent rights covering individual technologies constituting the technology in question and the combination thereof.

Now that the technology has been so greatly advanced and become really competitive among various corporations, it is not infrequently that they, if belonging to the same type of industry, make similar inventions almost simultaneously. Thus, it has become extremely difficult for a single corporation to monopolize inventions relating to a certain technology.

As mentioned above, an excessive competition among various corporations is in a way unavoidable because of the industrial structure in this country. Thus, there is unavoidable the increase of patent applications for the protection of technology developed.

(2) Problem in system

A) Senior application principle

Senior application principle is adopted in

Japan. It is not infrequently, therefore, that we file patent applications in too a hasty attempt, when our invention is still at a conception stage. Such practice brings about incomplete specifications and causes delay in examination.

B) Utility model system

An idea protected by the utility model is a creature of the technical idea which is not necessarily required to be highly advanced. Thus, the requirement for inventive height (unobviousness) is less strict than in the case of patent. Applications may be filed for the protection of mere casual ideas without much consideration. This tends to cause an excessive number of applications. Further, its subjects are limited to goods. The scope of its protection is narrow. Many similar applications are filed in order to have a broader protection. Applications are also filed in order to circumvent others' scope of utility model right. Further, the utility model system is different from that of foreign countries, and that request-examination is allowed for utility models in the same way

that it is allowed for patent applications. Seemingly, herein lies a problem.

C) Examination standard

Generally speaking, the application of examination standard is not in uniformity. There are some fields of art where applications vary considerably depending upon examiners. Because of this, some applications are published for the reason of leniency of the requirements for inventive height. This tends to create an environment under which, since a subject having such degree of inventive height is patented, we should file applications directed to the similar subject for a defensive purpose in order to secure our business. The protection of know-how is unsatisfactory in this country and "establishing license by prior ~~art~~ use" is difficult. Taking such things into consideration we feel more agreeable with their filing applications for a defensive purpose. The problem is that, though there are theoretical criteria for determining the inventive height, the criteria are not necessarily in uniformity as a matter of practice.

4. Patent Office Suggestion for improving Applications and Examination-Request

In addition to the aforementioned causes for increased patent and utility model applications there is considered invention encouragement regulations within corporation, insufficient pre-search, increased applications for the defensive purpose, low taxes for applications and examination-requests, etc. Be that as they may, we think that we must endeavour to be back on the right track, through the joint effort of the government and people, in order to properly protect truly useful inventions and utility models.

In order to materialize this, the Patent Office is scheduled to take measures for implementing the policy under the ministerial decision.

a) to establish a system of cooperation with industry
b) to improve and organize examination standards in uniformity
c) to encourage pre-appraisal and pre-search

d) to make better use of "Technical Information Disclosed"

e) to give patent attorneys better training and make study of what the official fees politically should be

(1) Request for Cooperation from Private Sector and Administrative Guidance

A) Request for Cooperation from Industry

The Patent Office will continuously ask corporations and trade associations having a large number of applications and higher rate of increase in the applications for cooperation for two or three years until satisfactory results are obtained. What the Patent Office will ask us to do are the elimination of useless applications, collection and publication of information on conventional art and providing the Patent Office with such information. With regard to applications for defensive purpose and applications directed to a subject matter

the patentability of which is negligible, the Patent Office will appeal for a better use of "technical information disclosed" by invention association.

B) Request for cooperation from Authorized Patent Attorneys Association

There are found a number of rudimentary mistakes in terms of formality requirements and specifications prepared by patent attorneys. They have caused delay in examination. The Patent Office will appeal to the Authorized Patent Attorneys Association for improvement in the filing documents and give attorneys having no sign of improvement a separate training.

(2) Measures to be Taken by Patent Office for Improvement

Prior to joining the PCT, the Patent Office is required to organize domestic laws in conformity therewith and take care of minimum documentation. In addition, the Patent Office

is required to shorten the pendency of application. But the rate of increase in applications is high and the rate of examination-request is also high under the present circumstances. Now that there may not be expected a big increase of examiners, the Patent Office will try to improve examination standards and apply the standards more properly. In order to reduce incomplete specifications and give severer judgement on inventive height, etc., for rejection, the Patent Office will attempt to organize examination in uniformity under the following guiding policy.

(guiding policy)

Re application of provisions of paragraphs 1 and 2 of Article 29 and paragraph 4 of Article 36 of the Patent Law, and paragraphs 1 and 2 of Article 3 and paragraph 3 of Article 5 of the Utility Model Law.

Various examination standards have so far been prepared and, when necessary, amendment have

been made to the standards.

"The examination standard concerning judgement on Article 36 of the Patent Law" will be prepared for the future. Some of the general examination standards have not been reduced to writing yet. Thus, the following provisions will be applied as a temporary measure until they are reduced to writing.

A) Re application of provisions of paragraphs 1 and 2 of Article 29 of the Patent Law and paragraphs 1 and 2 of Article 3 of the Utility Model Law.

a) In case where a subject is a known art or conventional art in the field of art to which the invention or utility model pertains and it is difficult to present an appropriate citation, the application shall be rejected without a definit citation presented.

b) In the case where it is difficult to present a citation in the field of art

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to which the invention or utility model pertains, but there is available an appropriate citation in other field of art, the application shall be rejected on the basis of such citation.

c) In the case where a distinctive feature is minor and the major portion of invention belongs to known art or conventional art and the claimed invention is a mere aggregation thereof, the application shall be rejected by presenting citation with respect to a distinctive portion only and pointing out that the remaining portion belongs to known art or conventional art.

B) Re application of provisions of Article 36, paragraph 4 of the Patent Law and Article 5, paragraph 3 of the Utility Model Law.

When specifications or drawings have the following defects, they shall be treated as not satisfying the provision of Article 36, paragraph 4 of the Patent Law or Article 5, paragraph 3 of the Utility Model Law.

a) The function and the result of the invention or utility model described in "claim" are not fully disclosed in the section of "Detailed Explanation of Invention".

b) When not fully supported by working examples, drawings, etc.

c) when utility in industry, problem to be solved or relationship with conventional art are not fully described

d) awkward writing

C) Other Matters

a) When the reason for rejection is not overcome by an amendment made in reply to an office action rejecting the application, a decision will be rendered without issuing another office action for rejection.

b) When pointing out defects in specifications or drawings, if there are many, it shall be satisfactory to show only a part of

the defects and give comments that they are unsatisfactory as a whole.

5. Problems of search prior to filing

Now that the application-examination system is adopted in this country, applicants are quite free to file applications for their invention. The Patent Office is obligated to examine them. If it is true that many of the applications filed are rejected, the burden of examination may possibly work against the national economy. It must be certainly desirable that such burden should be mitigated thru the appraisal and search prior thereto, but it may probably be necessary to consider carefully what form of pre-search should be conducted for the national economy. Briefly speaking, more desirable alternative is either one of the following; it will be better for applicants to make, for their own appraisal, the direct sue of highly reliable search materials offered by the government rather than to conduct search themselves thru search materials

individually obtained by them. The novelty search is conducted in West Germany and Holland. It is desired that, in the same way, a government agency should speedily conduct an overall search covering appraisal.

Suppose that, in making an appraisal prior to filing, pre-search is thoroughly conducted and relationship with conventional art is clarified. But if the criteria for inventive height, etc., are not clear, applicants may not sometimes determine whether applications should be filed or not. Such being the case, it is particularly important and strongly desired that the examination standard should be improved and organized in uniformity.

Further, we would like to ask examiners for their more efforts to solve the problem. Suppose that there are many applications which are liable to be rejected. As long as examiners have collected patent information relating thereto for themselves within their assigned fields, they may speedily

dispose of their applications by means of "mass" examination procedure. Thus, the problem of search and appraisal prior to filing may be solved thru examiners' more efforts as well as applicants' endeavours. In this connection, the number of personnel and budget of our Patent Office is compared with those in the United States, West Germany and other countries. Both the number of personnel and budget in this country are quite small per application. They are far below the international standard.

The Patent Office must positively work for improving these aspects.

Despite the fact that the number of examiners was doubled in this country, the number of cases disposed of per examiner was reduced by about 20% in 1975 compared with that of 1960. Considering this fact, we should feel more strongly that the Patent Office should make far more efforts for the improvement in patent administration. In addition, inventions and utility models should be treated at research stages in such manner that they may not overlap with the conventional

art. Thus, it is quite logical that search should be conducted before the research activitity rather than patent filing. The insufficient pre-search should be treated as the problem of research management rather than the problem of patent management.

6. Re Examination Standard

(1) What is known art and or conventional art

The Patent Office has a tendency of not granting patent to know and conventional arts for the lack of novelty and inventive height. But the definition of these words are extremely ambiguous. In order to determine that an art is known or conventional, the art must be generally known in the pertinent field of art; for example, there must exist a considerable number of publications relating thereto, or the art must be well-known or publicly used in industry. Examples of them are known in court decisions [(GYO-Ke) No. 101 of 1973 and (GYO-Ke) No. 29

of 1974] rendered by No. 13 Civil Division of Tokyo Higher Court.

Further, if the field of art is different, the known or conventional art may vary accordingly. It is, for example, held in a court decision that the art pertaining to electrical discharge process may not be readily conceived from a citation pertaining to electrolytic process [(GYO-Ke) No. 95 of 1974]. These court decisions indicate that there are required a considerable degree of proof for rejecting an application for the reason that the invention is known or conventional.

(2) Re Rejection for Reason of Known Art or Conventional Art without Proof

This will be in conflict with the court decision holding that the disclosure thereof in publications is required for rejecting the patent application [(GYO-Ke) No. 99 of 1971].

(3) Scope of Application of Examination Standards

Examination standards to be newly enforced

have been drafted by various examining divisions. It is unknown at the present how they will regulate the Appeal Division and judicial courts and what legal significance they will have. Thus, we are afraid that they will create a confusion in industry.

(4) Publicity of New Examination Standard and the Time of its Enforcement

We must take into consideration the Paris Convention concerning Industrial Property Right. Then, the important problem is how the new examination standards are made known at home and abroad and when they will be enforced.

7. Measures Taken in the U.S.

(1) Special Examining Procedure

Now we will present you with the special examining procedure taken in the U.S. in 1965.

In 1965, U.S. Commissioner of Patents, Mr. F.J. Brenner, introduced the plan for

making major amendements to the procedure with a view of completing examination within 18 months from filing without making any amendments to the Patent Law. This plan has been put into practice. According to this,

A) The Patent Office may "demand" an applicant to "limit a claim" in order to specify the claim, and cause him to select a group of claims to be examined. Since the applicant may file a divisional application upon such demand, he is not treated disadvantageously.

B) The Duty to Disclose the Nearest Public Information Which the Inventor Knows.

Thus, they have attempted in the U.S. to accelerate examination only through the amendment to the procedure, maintaining the examination principle under custom and equity.

(2) In comparision with Special Examining Procedure

A) Time for concluding examination is set

The examination is made with the view of concluding examination within 18 months from filling. Thus, the examination is exceedingly accelerated. It may be necessary for us to consider its adoption in this country.

PCJ news and comment dated July 16, 1976 reads: "PTO Commissioner Dann ..... announced that .... examiners will be able to spend ..... 6% more time on the examination of each case ... feels the resulting improvement in the quality of examination will be worth the additional cost." This is a noteworthy fact. As a result, a number of hours that a examiner may spend for an application will be increased from 18.3 to 19.5 hours.

B) Applicants' duty to conduct pre-search for public information and disclose the same

The system for offering Patent Office information is adopted in our present law. But this is said not to be much utilized. It might be necessary to introduce "Fraud System" of U.S. into our law providing that reference materials such as, for example, public information, are provided at public organizations.

C) Re Introduction of Utility in Addition to Novelty and Inventive height

Applicants should be requested to explain, through the office action rejecting the application, that the invention in question is not a mere casual idea, how the invention is actually worked and what result is obtained. Thus, the truly useful invention only may be protected.

Figure 1

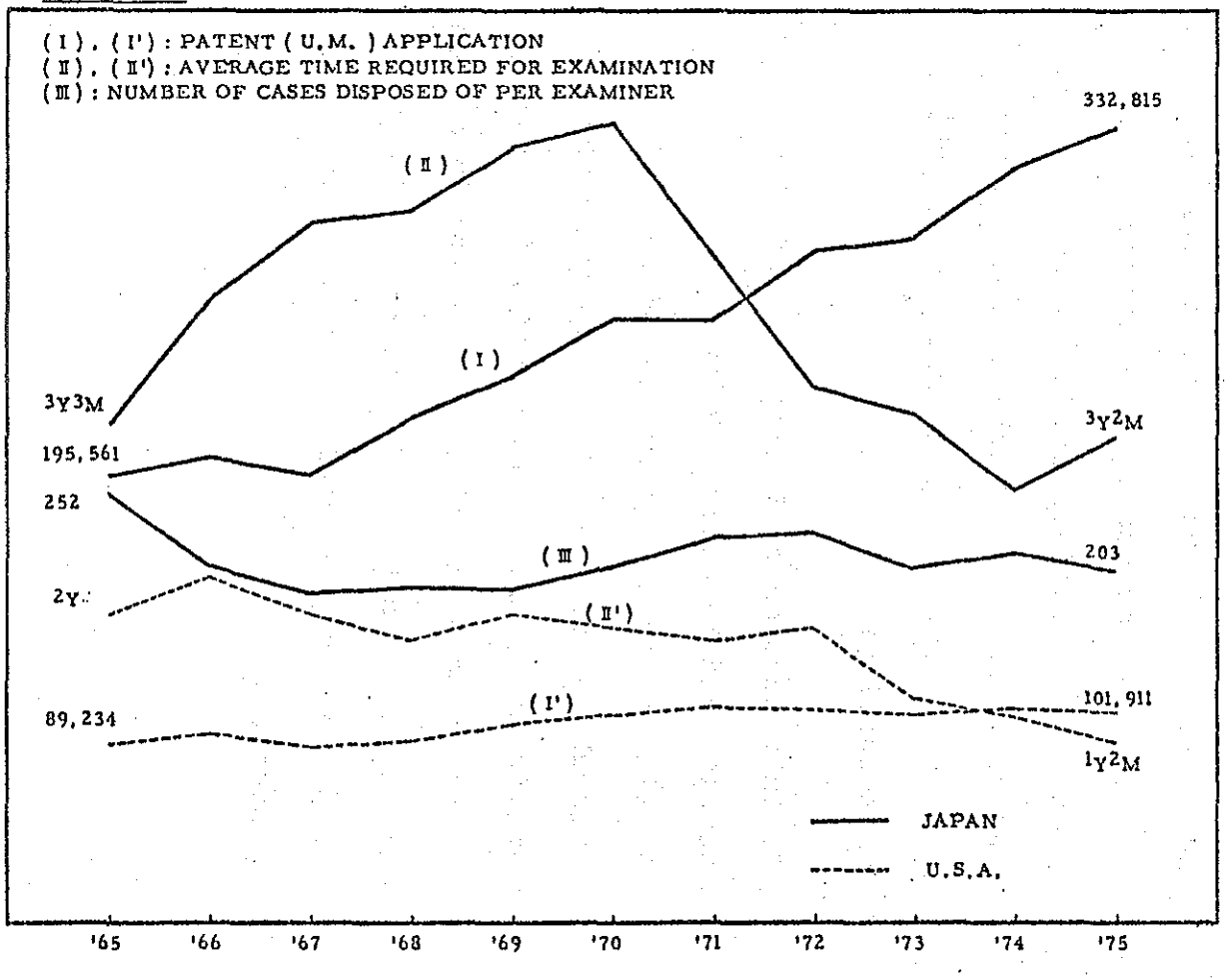
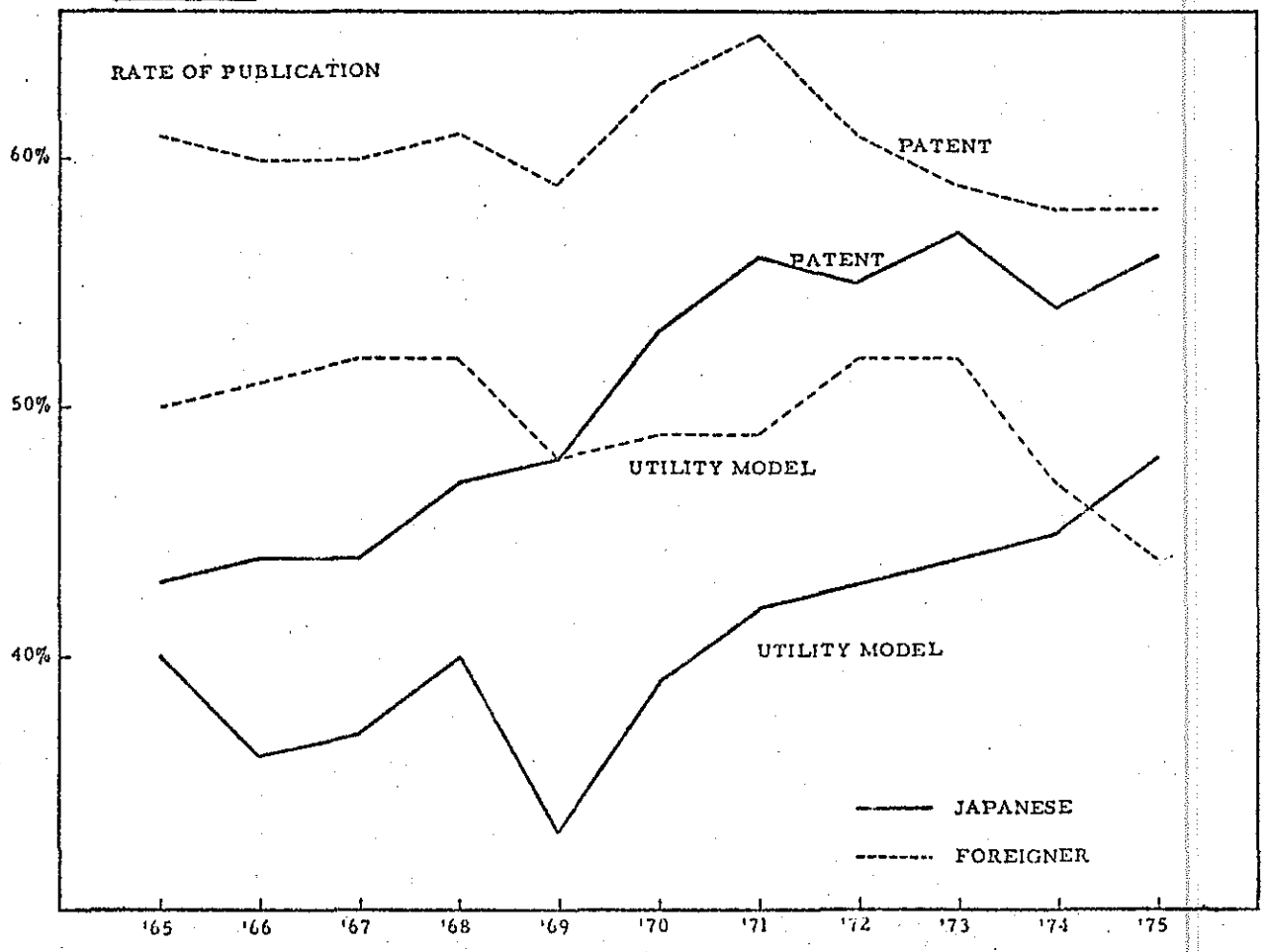
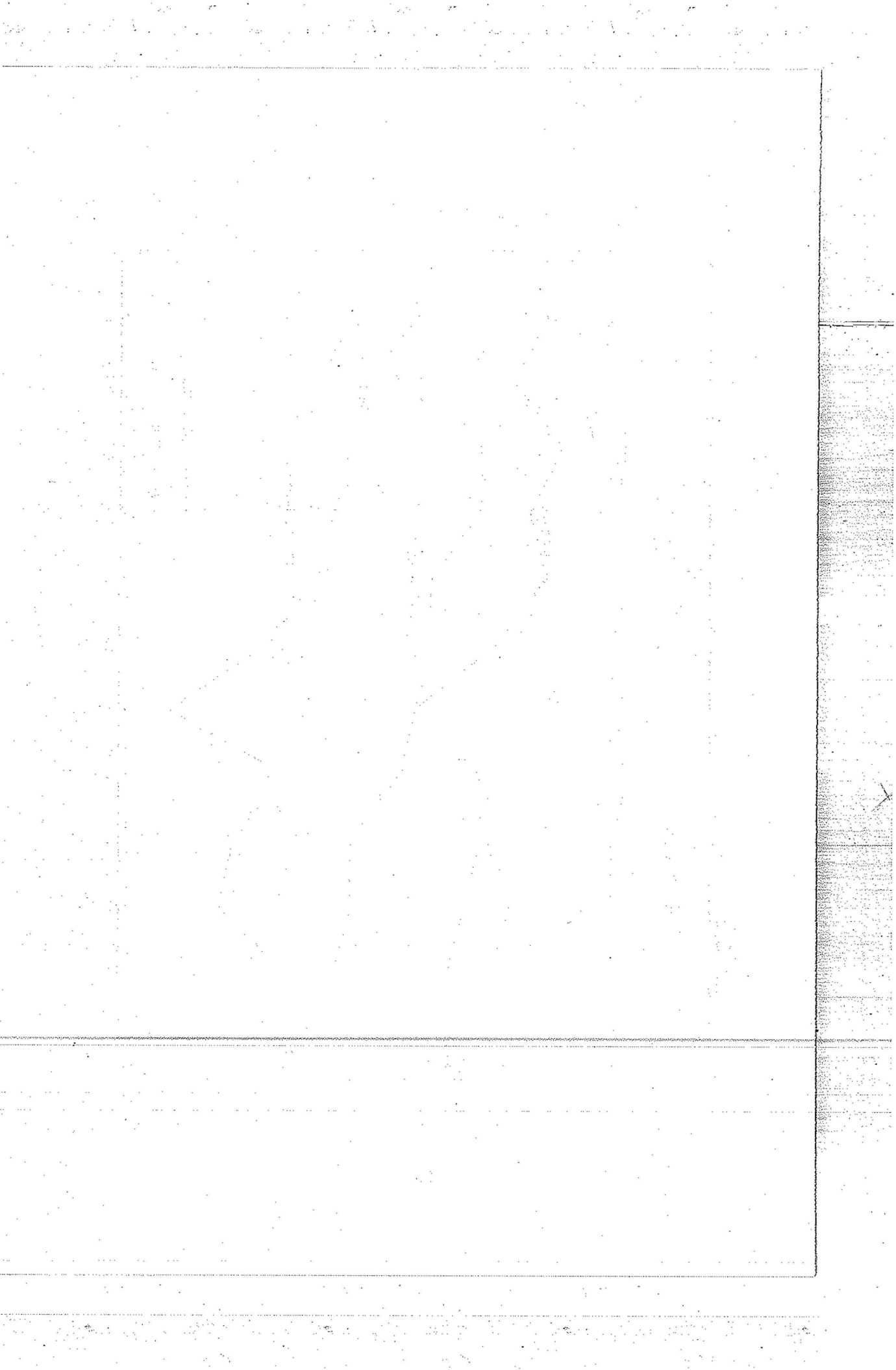

(I), (I'): PATENT (U.M.) APPLICATION
(II), (II'): AVERAGE TIME REQUIRED FOR EXAMINATION
(III): NUMBER OF CASES DISPOSED OF PER EXAMINER
332,815
(II)
(I)
3Y3M
195,561
3Y2M
252
(III)
203
2Y
(II')
(I')
89,234
101,911
1Y2M
JAPAN
U.S.A.
'65
'66
'67
'68
'69
'70
'71
'72
'73
'74
'75

Figure 2


RATE OF PUBLICATION
60%
50%
40%
PATENT
PATENT
UTILITY MODEL
UTILITY MODEL
JAPANESE
FOREIGNER
'65
'66
'67
'68
'69
'70
'71
'72
'73
'74
'75



R. J. Anderson
PIPA Congress
Hakone, November 1976

U.S. PATENT LAW REVISION

It is becoming habitual that at meetings of PIPA in Japan I rise to speak on the subject of revision of the U. S. Patent Law. At the Congress in Kyoto in October of 1974 we discussed a specific draft law S. 2504 which was under consideration by the Senate of the United States and warned imminent tragedy in the possibility of passage of that bill by the Senate prior to the expiration of the then current 93rd Congress. We did, however, lighten the gloom with advice that it was unlikely that the House of Representatives would complete action on patent law revision in that Congress.

As I left the podium, however, there was ringing in your ears the famous cry from the Brooklyn Dodgers baseball team -- "Wait Until Next Year!"

Today, in Hakone we bring you good tidings. No revision of the U.S. Patent Law will be enacted by the 94th Congress.

Seriously, there has been a significant occurrence in the two year interim. The Senate of the United States has enacted S. 2255 "An Act for the General Revision of the Patent Laws" and has forwarded that legislation to the House of

Representatives for their serious consideration. I believe, and I think most of my U.S. colleagues would agree, that patent legislation substantially in the form of S. 2255 would have been enacted by the 94th Congress if Senator McClellan's bill S. 22 to completely revise the United States Copyright Law had not been under consideration by Congress. That copyright bill received the full and time-consuming attention of the relevant committees of both chambers, was considered and passed by both houses of Congress, and has been enacted. An insight into the views of opposing camps on S. 2255 can be obtained by review of Senator Philip Hart's remarks on the floor of the Senate during debate on the bill, printed in the Congressional Record of February 26, 1976 and Secretary of Commerce Elliot Richardson's letter of September 14, 1976 to Congressman Peter Rodino which was printed in the BNA PTC Journal of Sept. 23, 1976.

The 94th Congress is over and again we cry "Wait Until Next Year" -- but I suggest we pause and reflect on how radically different the legislation environment with respect to patent law revision might be in 1977.

At the time I prepared this speech for delivery today in Hakone, the proper tools for predicting legislation with respect to patent law revision in 1977 were tea leaves, playing cards, a crystal ball and joss sticks. Obscure were answers to such relatively insignificant (?) questions as: Will there be in 1977 a Democratic or Republican administration? What will the relative proportion of Democrats and Republicans be

in the next Congress? How will the Senate and House Judiciary Committees organize in January of 1977? Who will be Commissioner of Patents and Trademarks in 1977? Who will have more influence in 1977, the Antitrust Division of the Department of Justice or the Patent and Trademark Office. As I stand here there has been resolution of who shall occupy the White House in January of 1977 and we have some insight to the relative proportion of Democrats and Republicans in our 95th Congress. The questions, however, remain unanswered; and their answers are, of course, highly significant.

We do not know nor can we reliably predict whether the administration or anyone within the congressional ranks will see fit to re-introduce to the next Congress a bill for the total revision of the patent law. Many persons heretofore involved in Patent Law revision activities feel that total revision should not be attempted. Rather, individual portions of the patent law should be carefully studied and specific sections revised as found necessary.

There is general agreement in the United States that the addition to our present patent procedures of a system of re-examination of issued patents will constitute the most significant single action truly beneficial to our system. The specific statutory provisions for Re-examination proposed by

the American Bar Association and included within legislation proposed in the last Congress by Senator Fong of Hawaii as Chapter 31 of S. 214, and by Representative Charles Wiggins of California as H.R.14632 have received important support. It is important that each of us as members of PIPA have a precise understanding of the principles of this proposed re-examination system and I recommend we read all that becomes published on the subject.

A few comments might be helpful here. As you know, the federal court system is the tribunal for determination of patent validity in the United States. The American Bar Association Re-examination system does not change that situation. It does not transfer to the Patent and Trademark Office the responsibility for determining validity of patents. The Office retains its role of judging whether a scientific advance constitutes a patentable invention in the light of the prior art.

Re-examination as proposed enables the patentee or any other party to bring to the attention of the Patent and Trademark Office literature references not earlier considered by the Office which pose a new issue of patentability of the claims

of the patent. The Office will re-examine the claims in the light of the new references and reach an ex parte patentability determination in the same manner as in the original application.

As you might expect, Re-examination as currently proposed is not free of controversy. At issue is a requirement that a Federal District Court may not consider, in patent litigation, a reference not considered by the Patent and Trademark Office until the party relying upon the new reference has submitted it in a re-examination proceeding for an Office ruling with respect to its relevance to the patent. Many lawyers in the United States feel that this requirement is improper interference with the discretion of the judiciary and may prejudice the rights of an infringer to attack the validity of the patent. Whether a compromise with respect to the obligatory nature of this referral will be reached remains to be seen.

So much for the subject of prospective legislation and the realm of speculation. Recently, we have all been given an opportunity to participate in the development of tangible and immediate improvements in the U.S. patent system through a most ingenious and, to me, exciting manner.

As background, last August in Atlanta, Georgia our Commissioner of Patents and Trademarks, Marshall Dann, in a speech to the

Patent, Trademark and Copyright Section of the American Bar Association, outlined that he and his colleagues in the United States Patent and Trademark Office had under consideration some revision of the "Patent Office Rules of Practice in Patent Cases." The stated purpose of the proposed revision is to effect significant and immediate improvement in the patent system in areas where general agreement has been reached in the dialogues relative to patent legislation. A Notice stating the proposed new rules was officially published in the United States Federal Register the week of October 4, 1976. All parties having views with respect to the rules are requested to submit their comments to the Commissioner in early December 1976 prior to a public hearing at the Patent Office in Washington.

While it may be that in viewing these proposed rules, our weariness from the many-yeared battle on patent legislation has added the "fuel of interest to the fire of [the] genius" of of the Patent and Trademark Office (- to paraphrase President Lincoln -). It's exciting to contemplate the imminent changes.

I am sure that counsel in the United States have provided to our Japanese members copies of the proposed rules. We recommend that each of our Japanese colleagues review them and provide to your United States lawyers any comments you think helpful to the Patent and Trademark Office. I am certain the Office

would very much appreciate having the benefit of comments from Japanese industry representatives. There is no question but that the comments will receive serious consideration.

Time does not allow us to address each of the proposed rules and its outlined purpose, but it may be helpful if we discuss one and its potential effect. The ingenuity of the Patent and Trademark Office personnel who designed the change will become apparent.

Rules relating to re-issue patents and the confidentiality of pending applications will be revised. Together they will provide an effective system of re-examination of issued U.S. patents throughout their life. The rules to be revised for this purpose are Rules 1.11, 1.175 and 1.291. The revision of Rule 1.175, relating to re-issue patents eliminates a requirement that the patentee assert in the application for re-issue that his original patent is invalid in whole or in part. In a re-issue application a patentee may now cite to the Patent and Trademark Office new literature references which have come to his attention which should have been considered by the Office in the original examination. The re-issue application requires the Patent and Trademark Office to re-examine, in the light of the new literature references, the patentee's

original specification and either the claims granted in the patent or new claims set forth in the re-issue application. The revision of rules 1.11 and 1.291 will provide public access to pending re-issue application files and allow parties other than the patentee to provide information to the Office for consideration in the "re-examination."

While the procedure made available by these rule changes does not enable a person other than the patentee to directly institute a "re-examination" proceeding, consider for a moment the obligation of a patentee with a new reference which he has discovered or which has been called to his attention by a third party who may be concerned about infringement of the patent. Recent decisions of our courts clearly require that patentee now knowledgeable of new relevant references to embark on the re-issue procedure. If he does not he finds himself subject to an allegation of misuse for attempting to enforce a patent known to him to be of questionable validity. The party citing new relevant prior art to the patentee has indirectly instituted the "re-examination."

I believe these rule changes will provide the most significant benefits of re-examination as proposed in pending legislation. A party accused of infringement and having newly discovered prior art references sufficiently relevant to affect the scope

or validity of an asserted patent will have the opportunity to force the patentee to have the Patent and Trademark Office re-examine his application. As a corollary there will be created an obligation on the party accused of infringement to timely disclose to the patentee references on which the infringer may ultimately rely in court. Fundamental benefits of Re-examination, namely review of all prior art references by the Patent and Trademark Office experts and elimination of surprise references in litigation, appear to have been accomplished by rule change rather than legislation.

Again, I commend to your careful study all of the proposed rule changes and urge you to communicate your views to the United States Patent and Trademark Office.

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Congressional Record

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, SECOND SESSION

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Senate

The Senate met at 10 a.m. and was called to order by Hon. J. BENNETT JOHNSTON, a Senator from the State of Louisiana.

PRAYER

The Reverend James Ahlemann, pastor, Calvary Church of the Nazarene, Arlington, Va., offered the following prayer:

Our Father and our God, this is the day that Thou hast made and we acknowledge our need of Thy wisdom and strength to know and to do Thy perfect will. Grant to us a deeper consciousness of Thy rich blessings upon this Nation that we love. Thou hast given us wonderful natural beauty and resources. Thou hast given us good government in which the voice of the people is heard. Thou hast blessed us with freedom. We are rich in Thee.

Remind us again of the faith of our forefathers who left a land where they were persecuted to establish a nation where they were free to worship Thee. Help us to remember that our country was founded in a fervent faith, inspired by a heavenly hope, guided by the teachings of truth, and nurtured by the power of prayer. Bring to our memory those who have bravely lived and nobly died.

Today, our Father, we are deeply grateful for our glorious past. Help us to recognize that our past alone does not guarantee our future. Grant to these our leaders Thy divine wisdom that they may guide our Nation aright.

In the name of our Lord and Saviour we pray. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. EASTLAND).

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., February 26, 1976.

To the Senate:

Being temporarily absent from the Senate on official duties, I appoint Hon. J. BENNETT JOHNSTON, a Senator from the State of Louisiana, to perform the duties of the Chair during my absence.

JAMES O. EASTLAND,
President pro tempore.

Mr. JOHNSTON thereupon took the chair as Acting President pro tempore.

THE JOURNAL

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Wednesday, February 25, 1976, be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

COMMITTEE MEETINGS DURING SENATE SESSION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that all committees may be authorized to meet during the session of the Senate today.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

CONSIDERATION OF CERTAIN MEASURES ON THE CALENDAR

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the following calendar orders numbered 610, 612, 621, and 622.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

THIRD BUDGET RESCISSION BILL, 1976

The bill (H.R. 11665) to rescind certain budget authority recommended in the message of the President of January 23, 1976 (H. Doc. 94-342), transmitted pursuant to the Impoundment Control Act of 1974, which had been reported from the Committee on Appropriations with an amendment on page 2, beginning with line 16, insert the following:

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

PUBLIC LANDS DEVELOPMENT ROADS AND TRAILS

Contract authority provided in the Federal-Aid Highway Act of 1973 for Public Lands Development Roads and Trails in the amount of $4,900,000, available until June 30, 1976, is rescinded.

NATIONAL PARK SERVICE

ROAD CONSTRUCTION

Contract authority provided in the Federal-Aid Highway Act of 1973 for Road Construction in the amount of $58,500,000, available until June 30, 1976, is rescinded.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time, and passed.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent to have printed in the Record an excerpt from the report (No. 94-816), explaining the purposes of the measure.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

SUMMARY OF THE BILL

This is the third rescission bill to be reported by either the Senate or House Committee on Appropriations during fiscal year 1976 under the provisions of title X of the new Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344, July 12, 1974).

A general discussion of the bill follows. Further details concerning particular items can be found in the Senate Document cited above.

RESCISSION TOTALS

The total budget authority recommended to be rescinded in the bill is $75,831,000. A summary table of rescissions follows which shows all items that are recommended for rescission by the Committee or as passed the House.

Rescission No.	Department or activity	Amounts proposed for rescission	House recommendation for rescission	Committee recommendation for rescission
876-27A	Consumer Product Safety Commission: Salaries and expenses	$5,431,000	$2,656,000	$2,656,000
876-44	Selective service system: Salaries and expenses	1,775,000	1,775,000	1,775,000
876-49	Department of the Interior: Bureau of Land Management: Public lands development roads and trails	4,900,000		4,900,000
876-41	National Park Service: Road construction	58,500,000		58,500,000
876-43	Department of State: Mutual education and cultural exchange activities	8,000,000	8,000,000	8,000,000
	Total	83,306,000	12,431,000	75,831,000

SELECTIVE SERVICE SYSTEM

Salaries and expenses

Rescission No.: R76-44; *Date proposed:* January 23, 1976

[All figures are for transition quarter]

Available new budget authority	$3,300,000
Available other budget authority	
Proposed rescission	—1,776,000
House action	—1,775,000
Committee recommendation for rescission	—1,775,000

Presidential rationale for proposed rescission: The proposed rescission reflects savings associated with suspension of the draft registration requirement and the phase-down of personnel and activities associated with this function. A mobilization review has indicated that increased reliance can be placed on reservists and volunteers to fulfill defense needs during the early stages of a major conflict.

Explanation of Committee recommendation: The Committee recommends approval of the proposed rescission. The Selective Service System will continue to be able to plan and prepare for registration and induction of individuals into the armed services in the event of mobilization regardless of the rescission.

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

Public Lands Development Roads and Trails

Rescission No.: R76-40; *Date proposed:* January 23, 1976

Available new budget authority	
Available other budget authority	[1] $49,000,000
Proposed rescission	[2] —8,800,000
House action	Not considered
Committee recommendation for rescission	—4,900,000

[1] Includes $30,050,000 available for fiscal year 1976 and $18,950,000 available for fiscal year 1977.

[2] Includes $4,900,000 for fiscal year 1976 and $3,900,000 for fiscal year 1977.

Presidential rationale for proposed rescission: Consistent with fiscal year 1976 appropriations and fiscal year 1977 budget estimates. The President cites the Anti-Deficiency Act as authority for his proposal.

Explanation of Committee recommendation:

The Committee recommends rescission of $4,900,000 in contract authority for fiscal year 1976 provided by the Federal-Aid Highway Act, but disapproves the President's accompanying proposal to rescind another $3,900,000 available for fiscal year 1977. The latter amount should be deferred pending congressional action on the Bureau's fiscal year 1977 road construction program.

The amount recommended for rescission is excess to the fiscal 1976 road construction program approved by the Congress when it passed the Department of the Interior and Related Agencies appropriations bill for fiscal year 1976 (Public Law 94-165), which contained appropriations to liquidate road contract authority. Rescission is also consistent with overall spending limitations established by the Congress in the 1976 budget resolution. Failure to rescind the contract authority for fiscal 1976 would force the Bureau to obligate unprogrammed, lower priority projects before the beginning of the 1977 fiscal year. Information supplied to the Committee indicates only some $1,000,000 could be effectively obligated in that period. The recommended rescission will result in estimated outlay savings of $500,000 for fiscal year 1976; $500,000 for the fiscal year transition quarter; $3,500,000 for fiscal year 1977; and $1,500,000 for fiscal year 1978.

The Committee will extend consideration to a rescission of contract authority available for fiscal year 1977 after a final determination by the Congress of the Bureau's total road construction program for that year.

NATIONAL PARK SERVICE

Road construction

Rescission No.: R76-41; Date proposed: January 23, 1976

Available new budget authority	
Available other budget authority	$276,782,517
Proposed rescission	—58,500,000
House action	Not considered
Committee recommendation for rescission	—58,500,000

Presidential rationale for proposed rescission: Consistent with fiscal year 1976 appropriations and financial plan. The President cites the Anti-Deficiency Act as authority for his proposal.

Explanation of Committee recommendation:

The Committee recommends rescission of $58,500,000 in contract authority available for fiscal year 1976 under the Federal-Aid Highway Act of 1973.

This amount is excess to the fiscal year 1976 road construction program approved by the Congress when it passed the Department of the Interior and Related Agencies appropriations bill for fiscal year 1976 (Public Law 94-165), which contained appropriations to liquidate contract authority. Rescission is also consistent with the overall spending limitation established in the fiscal year 1976 budget resolution. The Park Service has estimated it would not be able to obligate the full $58,500,000 before the beginning of fiscal year 1977 even if the contract authority were to remain available.

The recommended rescission will result in estimated outlay savings of $7,670,000 in the fiscal year transition quarter and $28,143,000 in fiscal year 1977.

DEPARTMENT OF STATE

Mutual education and cultural exchange activities

Rescission No.: R76-43: Date proposed: January 26, 1976

Available new budget authority	$60,000,000
Available other budget authority	
Proposed rescission	[1] —8,000,000
House action	—8,000,000
Committee recommendation for rescission	—8,000,000

[1] Reduces NBA by $5,000,000 for fiscal year 1976 and $3,000,000 for the transition quarter.

Presidential rationale for proposed rescission: To reduce growth in the Federal budget. This action would reduce program activities involving exchange of persons for educational and cultural activities between the United States and other nations.

Explanation of Committee recommendation:

This amendment would rescind $5,000,000 of funds appropriated for the current fiscal year and $3,000,000 of funds appropriated for the transition quarter for mutual educational and cultural exchange activities.

These are the same amounts as those proposed by the President in rescission proposal No. R76-42 submitted to the Congress on January 23, 1976, and printed in House Document No. 94-342.

The program will be maintained at a level of $55,000,000 in fiscal year 1976 and $10,000,000 in the transition quarter. This compares with a level of $53,300,000 in fiscal year 1975 and a proposed level of $58,200,000 for fiscal year 1977. Consequently, the rescission will bring the 1976 and the transition quarter programs in line with the program proposed for fiscal year 1977.

DEPARTMENT OF AGRICULTURE

Farmers Home Administration

Rural Housing Insurance Fund

The President has proposed that $500 million in additional loan authority for insured loans of the Farmers Home Administration be rescinded (Rescission No. R76-39). These funds were authorized in the Supplemental Appropriations Act for Fiscal Year 1976 (Public Law 94-157) specifically to meet an urgent need for greater housing credit in rural America.

The Committee finds that this need still exists and therefore recommends that this proposed rescission be rejected and that the additional loan authority be expeditiously made available for obligation.

The Committee remains very cognizant of the heavy burden these funds will incur on the already strained administrative capacity of the Department as was outlined in this Committee's report on the Supplemental Appropriations Act (S. Rept. 94-311).

It must be made clear, however, that the Committee will not tolerate inadequate or unrealistic administrative support levels to choke off the provision of vitally needed credit assistance in rural areas.

The Committee notes the recent progress of the Department in developing overdue management improvements and reforms. As an example, in the field of rural housing credit, the Committee understands that a guaranteed loan program is nearing implementation. This will not only provide the Department with an additional tool in assisting rural residents, but also will utilize private credit sources and reduce the Federal administrative load in making this assistance available.

The Committee believes that through a concerted effort by the Department, utilizing such improvements in management practices, that $500 million in increased loan authority can be effectively applied in meeting rural housing credit needs.

The Department is directed to keep this Committee advised of its progress in making these funds available to qualified rural residents and in implementing the above noted management improvements.

VIEWS OF THE COMMITTEE ON THE BUDGET

The Senate Committee on the Budget, to which was referred a bill (H.R. 11605), to rescind certain budget authority recommended in the Message of the President of January 23, 1976 (H. Doc. 94-342), transmitted pursuant to the Congressional Budget and Impoundment Control Act of 1974, having considered the same, reports as follows:

The matters contained in H.R. 11605 do not appear to have significant macroeconomic effects, nor do they significantly affect national priorities. The Committee therefore has no recommendation on this bill.

THE PATENT ACT OF 1975

The bill (S. 2255) for the general revision of the Patent Laws, title 35 of the United States Code, and for other purposes, which had been reported from the Committee on the Judiciary with amendments as follows:

On page 4, line 28, strike "take such other action, and";

On page 4, line 33, strike "(5) shall take such action as may be necessary or appropriate to carry out the provisions of section 298 of this title,";

On page 4, line 35, strike "(6)" and insert "(5)";

On page 10, line 18, strike "therewith prescribed," and insert "therewith, prescribed,";

On page 10, line 23, after "prescribed" in-

"§ 31. Trademark fees

"Trademark fees shall be prescribed by the Commissioner under the authority of section 41 of title 35, United States Code. If a fee in connection with examination of a trademark application is not paid within such time as prescribed by the Commissioner, the application shall be regarded as abandoned."

SEC. 7. In the second sentence of section 7(c) of the Trademark Act of 1946 (60 Stat. 427, as amended; 15 U.S.C. 1057(c)), "fee herein provided" is changed to "prescribed fee".

SEC. 8. In section 7(e) of the Trademark Act of 1946 (60 Stat. 427, as amended; 15 U.S.C. 1056(e)), "fee herein provided" is changed to "prescribed fee".

SEC. 9. In section 9(a) of the Trademark Act of 1946 (60 Stat. 427, as amended; 15 U.S.C. 1059(a)), "The additional fee herein prescribed" is changed to "an additional prescribed fee".

SEC. 10. In section 12(a) of the Trademark Act of 1946 (60 Stat. 427, as amended; 15 U.S.C. 1062(a)), "fee provided in this chapter" is changed to "prescribed fee".

SEC. 11. (a) There shall be in the Department of Commerce, in addition to the Assistant Secretaries now provided by law, one additional Assistant Secretary of Commerce who shall be known as the Assistant Secretary of Commerce for Patents and Trademarks who shall be appointed by the President by and with the advice and consent of the Senate.

(b) Section 5315 of title 5, United States Code, is amended by striking "(8)" at the end of item (12) and substituting "(9)".

(c) Section 5316 of title 5, United States Code, is amended by striking item (48).

SEC. 12. Section 41 of the Trademark Act of 1946 (60 Stat. 427, as amended; 15 U.S.C. 1123) is revised to read as follows:

"§ 41. Trademark Proceedings in the Patent Office

"(a) The Commissioner shall make rules and regulations, not inconsistent with law, for the conduct of proceedings in the Patent Office under this Act.

"(b) The Commissioner may establish rules for taking affidavits and depositions required in trademark cases in the Patent Office. Any officer authorized by law to take depositions to be used in the courts of the United States, or of the State where he resides, may take such affidavits and depositions.

"(c) The clerk of any United States court for the district wherein testimony is to be taken for use in any contested trademark case in the Patent Office, shall upon the application of any party thereto, issue a subpena for any witness residing or being within such district, commanding him to appear and testify before an officer in such district authorized to take depositions and affidavits, at the time and place stated in the subpena. The provisions of the Federal Rules of Civil Procedure relating to the attendance of witnesses and to the production of documents and things shall apply to contested trademark cases in the Patent Office.

"(d) Every witness subpenaed and in attendance shall be allowed the fees and traveling expenses allowed to witnesses attending the United States district courts.

"(e) A judge of a court whose clerk issued a subpena may enforce obedience to the process or punish disobedience as in other like cases, on proof that a witness, served with such subpena, neglected or refused to appear or to testify. No witness shall be deemed guilty of contempt for disobeying such subpena unless his fees and traveling expenses in going to, and returning from, and one day's attendance at the place of examination, are paid or tendered him at the time of the service of the subpena; nor for refusing to disclose any secret matter except upon appropriate order of the court which issued the subpena."

SEC. 13. For the first six years that this Act is in effect, in the interest of effective and efficient administration of the Office, the Commissioner may call upon the applicant to request examination of any application which has been deferred pursuant to chapter 16 of this title. Notice shall be given the applicant of the fee due for such examination and a time of not less than one month shall be allowed for payment. If the fee is not paid within such time, the application shall be regarded as abandoned.

SEC. 14. (a) The Secretary of Commerce and the Secretary of Labor shall jointly conduct a full and complete study and investigation of the extent to which existing practices including customary employment contracts, and existing applicable laws, provide adequate incentive to innovations by, and adequately protect the interests of, professional, scientific and technical personnel, and others employed by private corporations, in connection with their inventions. In the course of conducting the study and investigation, the Secretaries shall (1) consult with appropriate professional societies, business organizations and labor organizations; and (2) coordinate information and recommendations with the appropriate agencies of the Federal Government. The Secretaries are authorized to obtain the services of private research institutions and such other persons by contract or other arrangement as they determine to be necessary in carrying out the provisions of this section.

(b) The study and investigation described in subsection (a) shall include at least an analysis of:

(1) existing employer-employee relationships with respect to employee inventions;

(2) provisions in employment contracts or side agreements reserving or controlling patent rights of inventions and processes developed by an employee;

(3) provisions in employment contracts restricting an employee's post employment use of patentable inventions developed by the employee;

(4) payment or compensation of employees for the rights to their inventions;

(5) the laws of the United States, of the several States and of other countries concerning the subject;

(6) the incentive to innovate;

(7) the disclosure and patenting of inventions; and

(8) the utilization of inventions.

(c) The Secretaries shall, within 18 months after the enactment of this Act, summit to the Congress their report of the results of such study, together with such recommendations for legislation as they shall deem appropriate.

SEC. 15. (a) For the purposes of section 3282 of title 18, United States Code, any offense prescribed by sections 371 or 1001 of title 18, United States Code, relating to any proceeding arising pursuant to provisions of title 35, United States Code, shall not be deemed completed before the Patent and Trademark Office issues the patent to which the conduct relates, or otherwise terminates the proceeding related thereto.

(b) Notwithstanding the provisions of section 3282 of title 18, United States Code, a prosecution for any offense referred to in subsection (a) of this section may be commenced two years after discovery of the offense by the Attorney General, but in no case shall this provision extend the period of limitations provided by such section 3282 by more than five additional years.

SEC. 16. This Act may be cited as "The Patent Act of 1975".

The amendments were agreed to.

Mr. McCLELLAN. Mr. President, the Subcommittee on Patents has been sharply divided for a number of years over the legislation for a general revision of the patent laws. During this Congress the members of the subcommittee have made a special effort to finally resolve these differences. Such an undertaking necessarily means that there must be some accommodation of contrasting viewpoints.

I have cooperated in the processing of this legislation, and voted to report it. It is, however, no secret that certain of my views have not been shared by a majority of the subcommittee. I have previously expressed concern at the incorporation in the patent code of provisions which add to the complexity and expense of obtaining or upholding a patent. There have been some modifications of these provisions, and I hope that additional improvements will be made in the further consideration of this important legislation.

I again express my regret that the administration has not authorized the Commissioner of Patents to make his views known to the Congress. The subject matter of this legislation is highly technical. The Congress in adopting a new patent code should have the counsel of the Commissioner of Patents.

Mr. PHILIP A. HART. Mr. President, although finally codified in 1952, the basic structure of the patent system has remained unchanged since 1836. Enactment of S. 2255 will culminate 8 years of work by the Subcommittee on Patents, Trademarks, and Copyrights seeking to reconcile widely disparate views by the subcommittee members on the appropriate scope and provisions of a patent reform bill.

Senator JOHN L. MCCLELLAN, chairman of the subcommittee, is to be commended for his patience, fortitude, and the final product.

Although S. 2255 is a compromise bill and does not contain every provision advocated by each of its cosponsors, as a whole it accomplishes in a sound way a badly needed reform of the patent system. Patent reform is urgently needed and enactment of S. 2255 should significantly improve our system for issuing patents.

NEED FOR REFORM

The case for reform begins with the calendar. Any system designed in 1836 unchanged since 1836 ought to be reviewed and modernized to meet the economic and technological conditions of 1975.

In 1836, issued patents numbered in the hundreds and inventions came chiefly from the Eli Whitneys, Thomas Edisons, Robert Fultons, Alexander Graham Bells, and other individuals. Today, the Patent Office receives more than 100,000 patent applications and grants more than 70,000 patents annually. Of all American-owned patents, 20 percent are owned by individuals and 80 percent are corporate owned. Just 20 years ago individuals obtained almost 50 percent of issued patents. Today, the Fortune top 200 companies own 52 percent of U.S. patents.

Of the 70,000 patents issued each year, fully 25 percent go to foreign-based corporations. In 1974, the following companies obtained the largest number of patents from the Patent Office:

Company:	No. of patents issued in 1975
General Electric	1,006
Westinghouse	617
General Motors	582
IBM	566
A.T. & T.	528

Patents are issued in a secret ex parte proceeding without public participation or adequate information. Frauds and inequitable conduct before the Office have dramatically increased. The level of disclosure is extraordinarily low. The Patent Office's ability for making searches for previous patents and prior art is inadequate or nonexistent; and the Office stresses quantity rather than quality. The average Patent Office action receives about 6 hours review, and the average patent receives a total of about 15 hours review. The Office grants patents in about 70 percent of the cases, contrasted with Germany and Japan where about 10 percent of patent applications result in the issuance of a patent..

The result of these 1975 facts of life on a system basically unchanged since 1836 is that a large proportion of patents are being granted for noninventions. Commerce and technology are being needlessly blocked; and monopoly prices are being needlessly exacted from consumers. As a result, the patent system has fallen into disrepute, distrusted by many in the judiciary and the public. President Nixon stated in his 1973 special message to the Congress:

> There is a need to stem the erosion of confidence in the validity of issued patents caused by these questions and the possible resulting erosion in the value of the patent grant itself.

Mr. President, I ask unanimous consent that the full text of that message be printed at the conclusion of my remarks.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. (See exhibit 1.)

Mr. PHILIP A. HART. Mr. President, an amazing 70 percent of U.S. patents litigated in appellate courts are held invalid, whereas in Germany and Japan 70 percent of litigated patents are upheld as valid. This high rate of invalidity exists in the United States because of inadequate precedures and information and, in the words of the Supreme Court, because of "a notorious difference between the standards applied by the Patent Office and by the courts." *Graham v. Deere*, 383 U.S. 1, 18 (1966). Although less than 1 percent of U.S. patents are litigated in Federal court, they are the commercially significant patents which materially affect prices. Even as to nonlitigated patents, the general patent counsel to a number of major corporations testified that a significant proportion of patents are without merit, are never utilized, and would not stand up under judicial review.

Martin M. Shapiro, a professor of political science at the University of California—Irvine—has concluded:

> It is now a truism among patent lawyers that if you sit around the Patent Office long enough, and change your claims often enough, you will eventually get some kind of a patent on almost anything.—M. Shapiro, The Supreme Court and Administrative Agencies 189 (1968).

Against this background, it is not difficult to understand why the patent system is generally held in disrepute. Former Supreme Court Justice Abe Fortas cautioned:

> Most judges, rightly or wrongly, are inclined to think that a strong, well-financed applicant has a pretty good chance of getting at least some patent claims allowed somewhere along the line, and they don't have much confidence in the process or respect for the result.—Fortas, *"The Patent System in Distress,"* 14 Idea 571, 576 (1970).

Other typical comments from the Federal judiciary include this statement by Judge Miles W. Lord:

> [The Patent Office] has got to be the sickest institution that our Government has ever invented. It is just as far as I can see an attritional war between the patent applicant and the patent examiner who apparently got paid on the piece work for how many patents they could put out.—*United States v. Charles Pfizer & Co., Inc.*, Civil No. 4-71-435 (D. Minn., filed Sept. 8, 1971) (the tetracycline civil damage suit).

Judge Hubert L. Will put it this way:

> The whole [patent system] is geared to a low standard of conduct. It imposes no obligation on the counsel or the applicant to tell the Patent Office what he undoubtedly knows with respect to prior art. *Technograph v. Methods*, Civil No. 62C1761 (N.D. Ill., filed April 7, 1970) (see transcript at 1422).

PURPOSE OF PATENT SYSTEM

These results were never intended by our founding fathers. The purpose of patents, in the words of the Constitution, is to "promote the Progress of—useful Arts", not "the creation of private fortunes for the owners of patents." *Motion Picture Patents Co. v. Universal Mfg. Co.*, 243 U.S. 502, 511 (1917). The Supreme Court elaborated on this in two cases:

> The patent monopoly was not designed to secure to the inventor his natural right in his discoveries. Rather, it was a reward, an inducement, to bring forth new knowledge, and were new and useful, justified the special inducement of a limited private monopoly. *Granam v. John Deere Co.*, 383 U.S. 1, 9 (1966).
>
> Since *Pennock v. Dialogue*, 2 Pet. 1 (7 L. Ed. 327), was decided in 1829, this court has consistently held that the primary purpose of our patent laws is not the creation of private fortunes for the owners of patents, but is "to promote the progress of science and useful arts." (Constitution, Art. 1, § 8). *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917).

The constitutional rationale for the limited monopoly rights of a patent was to induce invention. As early as 1883, the Supreme Court counseled:

> It was never the object of those (the patent) laws to grant a monopoly for every trifling device. . . . Such an indiscriminate creation of exclusive privileges tends rather to obstruct than to stimulate invention: *Atlantic Works v. Brady*, 107 U.S. 192, 200 (1883).

Even the English patent system—the forerunner of our system—back in 1623, in the Statute of Monopolies, recognized that limitations were necessary to the proper maintenance of a patent system. Patents were authorized only when not "mischievous to the State, by raising of the prices of commodities at home, or hurt of trade, or generally inconvenient."

If properly designed and administered, our patent system will contribute toward attainment of its constitutional objective. If improperly designed or administered, it will both thwart the progress of useful arts and result in a proliferation of unjustified Government-approved monopolies—for noninventions—costing consumers billions of dollars in overcharges.

ADMINISTRATION SUPPORT

The patent reform effort received important assistance from President Nixon's 1973 special patent message, transmitting the administration bill—S. 2504, 93d Congress—and recommending sweeping reforms. Significant portions of S. 2504, as reported by the Patents, Trademarks and Copyrights Subcommittee, were incorporated in the patent bill introduced by Chairman McCLELLAN (S. 23) during this Congress, which, after many hours of subcommittee work, was further refined and reintroduced as a clean bill (S. 2255), cosponsored by four members of the subcommittee.

With the exception of the preissuance opposition concept, all significant concepts of the administration bill are contained in S. 2255. Many of the administration's specific reform proposals also are included in the bill.

Contrary to the assertions of the organized patent bar, Mr. President, S. 2255 is supported by the administration. In a letter dated December 9, 1975, the administration urged the Judiciary Committee "to act favorably on S. 2255 so that the long process of patent reform is not further delayed." I ask unanimous consent that the full text of that letter be printed at the conclusion of my remarks.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. (See exhibit 2.)

Mr. PHILIP A. HART. Mr. President, Commissioner of Patents C. Marshall Dann also has registered his support for reforming the patent system. In a July 3, 1974, letter he stated:

> Reform and improvement of the American patent system are important, needed, and long overdue. Patent reform legislation has been pending in both the Senate and House of Representatives since 1967. The House Judiciary Committee conducted hearings in 1967, and in early 1968. Since that time, all the hearings on the subject of patent reform have been in the Senate. The Senate Subcommittee on Patents, Trademarks and Copyrights, through diligent and wide-ranging inquiry, has generated five volumes of hearings thoroughly exploring the issues raised by the various patent reform bills proposed to date. S. 2504 resulted from a complete review and analysis of this seven-year debate—the proposals of the previous Administration, the suggestions and draft proposals made by the private patent bar, and the various other proposals for patent reform introduced in the Congress.
>
> The Administration supports and urges the enactment of a bill in the form of S. 2504 [Committee Print], amended as indicated in the Appendix. A bill enacted in this form should clearly improve the quality and the reliability of issued patents. All of us who participated in the latest review of S. 2504 [Committee Print] acknowledge that the new procedures which accomplish this end will to some unavoidable degree complicate the process of obtaining patents. But the changes proposed in the Appendix will simplify these procedures, reduce expense both

to the applicant and to the Patent Office, and will protect applicant against harassment. In my opinion, these changes will very substantially improve the bill. It is the consensus of all those participating in the latest review of the Committee Print that it will, if enacted after amendment as here suggested, represent a balanced and desirable reform of the present law.

Mr. President, I ask unanimous consent that the full text of Commissioner Dann's letter be printed at the conclusion of my remarks.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. (See exhibit 3.)

PATENT BAR OPPOSITION

Mr. PHILIP A. HART. Mr. President, the organized patent bar has opposed every patent reform bill introduced since 1967, except for the bills originated by the private patent bar which would make it easier to obtain patents on noninventions and more difficult for the courts to invalidate them.

Their massive and organized opposition to S. 2255, therefore, comes as no surprise.

The patent bar exercised similar opposition in connection with the 1952 patent code codification. Their resistance to change was analyzed by Prof. Martin M. Shapiro in his treatise "The Supreme Court and Administrative Agencies," 206 (1968):

While patent lawyers of course represent infringers as well as patent holders in court, the bulk of their services of clients consists of helping them obtain and defend the validity of patents. Quite naturally then they tend to identify the good with more patents rather than fewer, just as does the Patent Office for a different but parallel set of reasons. Thus the Patent Office and the patent bar comprise a powerful, "propatent" pressure group.

Because no group of lawyers and no government agency specializes in fighting against patents, and no particular segment of the business community is uniformly harmed by patents, there is no "antipatent" pressure group. The "antipatent" interest in this country is not specialized or concentrated, but consists only of the general interest specialized or concentrated, but consists only of the general interest shared by all citizens that their government not make a bad bargain for them when selling its stock of limited monopolies. Such amorphous interests are notoriously underrepresented in American politics precisely because no organized group and no specialized government agency speaks for them.

In 1970, Judge Hubert Will similarly stated:

I don't have any surprise at all . . . that the organized Patent Bar opposed broadening the standard of disclosure required of applicants or their counsel, any more than I am surprised that they are opposed to making the Patent Office function effectively . . . *Technograph* v. *Methods*, Civil No. 69C1761 (N.D. Ill., filed April 7, 1970), (see transcript at 115.

There are exceptions to every generalization, and they should be mentioned. Some members of the corporate patent bar have been very helpful to the committee and to me personally. Commencing in early 1974, they have devoted countless hours and much effort toward our mutual objective of a meaningful patent reform bill free of unintended and possible adverse effects. Their continual dialog and constructive suggestions for modifying earlier bills were invaluable, and I know that we have a better bill because of their counsel.

Although the bill does not include all their suggestions, Mr. President, I believe it includes the essentials of their recommendations and that they support most, if not all, of S. 2255. I ask unanimous consent that the full text of the letters commenting on S. 2255 from Stanley M. Clark, Esq., general patent counsel to Firestone Tire and Rubber Co.; Charles M. Horgan, Esq., general patent counsel to Avco Corp.; John J. Pederson, Esq., general patent counsel and director of patents of Zenith Radio Corp.; H. F. Manbeck, Jr., Esq., general patent counsel to General Electric Co.; Henry W. Godsden, chairman of the board, and Rudolph J. Anderson, Jr., Esq., director of patents of Merck and Co., Inc., be printed at the conclusion of my remarks. The amendment of Senator Fong adopted by the Judiciary Committee responds to most of the reservations expressed in the letter.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. (See exhibit 4.)

Mr. PHILIP A. HART. Mr. President, the distinguished minority leader and his former legislative aide, Dennis Unkovic, have written an incisive article both on the role of the patent bar and the legislative evolution of S. 2255. I ask unanimous consent that the full text of their article, appearing in 16 William and Mary Law Review 937—Summer 1975—be printed at the end of my remarks. OMB's Associate Director of Economics and Government, Walter D. Scott, also has analyzed the objections of the patent bar in a letter to the president of the American Patent Law Association. I ask unanimous consent that the text of this letter be printed in full at the conclusion of my remarks.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. (See exhibit 5.)

Mr. PHILIP A. HART. S. 2255 preserves and extends existing substantive aspects of the U.S. patent system, while updating the procedures within the Patent Office to improve administration. It contains provisions designed to result in a more rigorous examination by the Patent Office, greater disclosure of prior art to the Office, and a reduction of the instances of invalid patents issued by the Office. By strengthening and bringing Office procedures into the mainstream of 20th century administrative and judicial practice, the bill should result in Patent Office decisions on whether to issue a patent made on the basis of all relevant information. This, in turn, should assure that only valid patents are issued by the Office, which, in turn, should materially enhance respect for the patent system by the judiciary and the public.

To raise the quality and reliability of the U.S. patent, S. 2255:

First. Strengthens the oath of invention to require that persons dealing with the Patent Office act with candor and good faith and disclose all information necessary to make the patent application not misleading—section 115;

Second. Requires a patentability brief disclosing to the Office relevant patents and prior art considered during the preparation of the patent application, disclosure of which might reasonably be expected to affect a decision of the Office—section 131(b);

Third. Facilitates public participation in locating and presenting relevant prior art and other pertinent facts to the Office—sections 134, 135, and 135A;

Fourth. Increases the disclosure required in the specification—section 112;

Fifth. Authorizes the use by and in the Office of subpenas and the discovery process in accordance with the Federal Rules of Civil Procedure—sections 23 and 24;

Sixth. Strengthens the administration of the Patent Office by making it independent of the Department of Commerce with respect to its adjudicatory, rulemaking, and investigatory functions, and by following established administrative procedures—sections 1 and 5;

Seventh. Requires a written record of the patent examination and review process—section 132;

Eighth. Creates a special Office of the Solicitor within the Office to assure compliance with the Patent Code—section 3(d); and

Ninth. Requires complete library and search facilities and a research program to utilize new technology—sections 6 and 10.

The bill also benefits individual inventors and small business by:

First. Limiting Patent Office fees—section 41(b)(2);

Second. Instituting a system of deferred maintenance fees—section 41(b)(6);

Third. Creating a system of deferred examination that also should improve the overall quality of issued patents by reducing the number of applications actually undergoing examination, thereby permitting a more thorough examination—sections 191–194; and

Fourth. Permitting newly discovered prior art to be brought before the Office for review throughout the life of the patent but prior to the commencement of litigation—section 135A.

Patent reform is urgently needed, and I urge my colleagues to support S. 2255.

EXHIBIT 1

SEPTEMBER 27, 1973.

THE WHITE HOUSE

To the Congress of the United States:

America's dramatic progress from a small agrarian nation to a great technological and industrial leader has been due, in no small degree, to the inventive genius of its people. Names such as Benjamin Franklin, Eli Whitney, Cyrus McCormick, Thomas Edison, Alexander Graham Bell, Samuel Morse, the Wright Brothers and Henry Ford speak volumes about the character of our Nation.

Our creative history however, has not been a matter of individual inspiration alone. Our Founding Fathers understood the need to encourage innovative thinking and wrote into the Constitution a means of encouraging invention—the patent system—which has enormously stimulated our progress and prosperity.

The national patent system authorized by the Constitution took on form and substance with enactment of special patent acts in 1790, 1793 and 1836. The act of 1836 provided statutory criteria for the issuance of patents

position with respect to proposed section 34 of S. 1321 is under study and the views of the Administration will be made available to you in the near future.

We appreciate the opportunity afforded us to review the Committee Print and express our views.

We have been advised by the Office of Management and Budget that there would be no objection to submission of our report to the Congress and further that enactment of S. 2504 would be in accord with the program of the President.

Sincerely,

C. MARSHALL DANN,
Commissioner of Patents.

FIRESTONE,
November 26, 1975.

Hon. PHILIP A. HART,
Chairman, Subcommittee on Antitrust and Monopoly, U.S. Senate, Washington, D.C.

MY DEAR SENATOR HART: I have your letter of November 20 stating that the Patent Revision Bill (S. 2255) will be considered in Executive Session on December 10.

I still believe there is a need for general reform and revision of the patent laws and I would like very much to see such reform come about.

By and large, I believe that S. 2255 embodies significant reforms and should be passed. Quite naturally, I must admit that there are some areas in which S. 2255 could be improved but I think I would have this feeling about any bill; and, accordingly, I urge that affirmative action be taken on this bill so that patent reform can go forward as speedily as possible.

To repeat, S. 2255 will accomplish significant and material patent reforms.

Very truly yours,

STANLEY M. CLARK,
Patent Counsel.

AVCO CORPORATION,
Cincinnati, Ohio, November 25, 1975.

Hon. PHILIP A. HART,
U.S. Senate, Committee on the Judiciary, Washington, D.C.

DEAR SENATOR HART: Thank you for your letter of November 20, 1975. In a "Go, no go" position I support S. 2255. There are some changes that I advocated. I agree with the "now" sentiments of the recent Scott-Uncovic paper in the William & Mary Law Review, even though I disagree with the treatment of joint inventors.

It is a privilege to work with you and Mr. Nash. My best service to the patent system, in 35 years, was to get from the April 1, 1975, unofficial meeting of Corporate Counsel, in Washington, a vote preferring the McClellan Bill S. 23, as a vehicle for markup, to the other bills.

Senator, you may find of interest the fact that my father was Warren Harding's opponent for the Senate in 1914. Those days were before Al Smith, Kennedy, Lausche and Gilligan! My brother Tim is a U.S. District Judge here. I am a very independent conservative Democrat. I have had some interesting conversations with Judges Edwards and McCree and the late Judge O'Sullivan, a fellow Campion graduate.

Your happiness, health, success and prosperity will be in our prayers.

Cordially yours,

CHARLES M. HOGAN,
General Patent Counsel.

ZENITH RADIO CORPORATION,
Chicago, Ill., December 5, 1975.

Hon. Senator PHILIP A. HART,
U.S. Senate, Committee on the Judiciary, Subcommittee on Antitrust and Monopoly, Washington, D.C.

DEAR SENATOR HART: Thank you for your letter of November 20 concerning the newly submitted bill for patent law revision S. 2255, which I have read with interest. I regret that we cannot support this bill in its present form.

I remain of the views expressed in my testimony before your Subcommittee, in particular that extensive patent law revision is long overdue and much needed, and that some effective way must be found to attract those with specific knowledge of the state of the prior art, e.g., actual or potential competitors of the patent applicant or his assignee, to become involved in patentability determination proceedings. Since the time of my testimony, and indeed since S. 2504 C.P. and the corporate counsel mark-up of that bill in which I participated, a new proposal has been advanced which, in my judgment, would fulfill the third party participation objective at least as effectively as either pre-issue or post-issue inter partes Patent Office opposition proceedings, without imposing an unrealistic requirement for making opposition decisions and expenditures before knowing whether the patent will ever have commercial significance. I refer to a system of Patent Office reexamination at any time within the life of the patent, as envisioned, for example, by Chapter 31 of the Fong bill S. 214, with certain modifications.

The most important concept of the Chapter 31 proposal, as we see it, is to permit re-examination and re-shaping of the patent claims as necessitated by newly cited or discovered prior art, at the instance of the patentee or anyone else and at any time during the life of the patent. If properly implemented, this should not only provide a practical remedy against overly broad patent claims, but should do so while still permitting the patentee to retain any claim protection of narrower scope which may be appropriate and commensurate with his inventive contribution as reassessed in the light of all the prior art. And it is a procedure which could readily be used by prospective licensors and licensees alike to resolve validity disputes without requiring expensive federal court litigation.

The principal objections which have been raised to Chapter 31 can be overcome by modification of the Fong bill provisions. These objections, and the suggested remedial modifications, are as follows:

1. The requirement that federal court patent litigation be suspended for referral of newly cited prior art to the Patent Office for reexamination would usurp the jurisdiction of the federal court.

Proposed Remedy: Delete Sections 310, 320 and 321. This would eliminate any statutory requirement for suspension of court proceedings pending an agency determination, but would permit the courts to entertain motions for Patent Office re-examination in appropriate cases. Any attempt to impose a statutory prohibition against use of a re-examination statute by the federal courts would, in our view, constitute an unwise (and arguably unconstitutional) encroachment of the legislative branch on judicial prerogative and function.

2. Chapter 31 contemplates an ex parte rather than an inter partes proceeding.

Proposed Remedy: Provide for inter partes opposition also, by including Section 135 of S. 2255 as well as the modified Chapter 31 provisions.

3. Chapter 31 would encourage over-claiming in the first instance by permitting amendment without compliance with reissue requirements.

Proposed Remedy: Add a requirement for a showing of inadvertence, accident or mistake; Fong bill Section 316 already includes a provision against claim broadening during the re-examination process.

In our view, S. 2255 represents very substantial progress in the evolution of an appropriate patent law revision bill. While there are some provisions in S. 2255 which in our view represent unnecessary and unwise overkill, they are not of so serious a nature as to cause us to withhold support for the bill as a whole. However, we feel that any new bill would be incomplete without appropriately conditioned re-examination provisions, and we are not now willing to support a bill which does not contain such provisions.

I am available for consultation with your Subcommittee staff in the future as in the past, and I do wish to commend them for their untiring efforts in connection with this proposed legislation.

Sincerely yours,

JOHN J. PEDERSON.

GENERAL ELECTRIC CO.,
Arlington, Va., December 9, 1975.

Hon. PHILIP A. HART,
Chairman, Subcommittee on Antitrust and Monopoly, Washington, D.C.

DEAR SENATOR HART: Thank you for your communication of November 12, 1975 concerning consideration of the Patent Revision bill (S. 2255) by the Senate Judiciary Committee in the executive session scheduled for December 10. This will confirm that we continue to support the patent law revision along the general lines of S. 2255.

We were pleased to note that S. 2255, as introduced on July 31, 1975, incorporates a number of revisions which we believe are useful changes to the patent revision bill introduced on January 15, 1975 (S. 23). In particular, we note that of the nine provisions in S. 23 which were the subject of our specific comments earlier this year, most appear to us to have been satisfactorily resolved in S. 2255. There are, however, some provisions which we feel require comment here and which we hope will receive further attention during the executive session which you mentioned.

Chapter 18 of S. 2255 would introduce into the Patent Code a procedure whereby patent applications could be published without examination by the Patent Office for a period of up to five years. This procedure would permit the existence of patent rights which are less sharply defined than is the case under our present law. Also, it would tend to permit a patentee to tailor his claim in the light of intervening circumstances, which is an opportunity now denied the patentee except perhaps through following the somewhat limiting re-issue procedure. We do not believe that the injection of greater uncertainty, as to the ultimate scope of future patent claims, is a move in the right direction. Also, to the extent that there would be a diminution of examination work in the Patent Office, it seems doubtful to us that this saving would balance out the additional individual efforts of those who must apply for patents.

Section 301 of S. 2255 appears to us to be essentially a codification of existing patent law as settled by the Supreme Court in a number of fairly recent cases. As such, we find that the stability which Section 301 would give the dividing line between patented inventions and trade secrets is a principal advantage to be gained through any patent revision legislation.

We are concerned, however, over the fact that Section 301 in S. 2255 no longer refers to there being no pre-emption with respect to "confidential or proprietary information" in addition to trade secrets as was the case with S. 23. To the extent that this difference may be later construed as a substantive change, it could detract from protection now afforded to technical information which may not rise to the level of a trade secret as defined in some jurisdictions. Thus, we would urge that the earlier language of S. 23 be continued in S. 2255 or at least that the legislative history clearly show that a codification of existing law only is intended.

We have previously expressed in our letter of 27 May 1975 our pleasure that the opposition (or re-examination) procedure of S. 23 was post-issuance. We are pleased that this post-issuance aspect has been preserved in

S. 2255. We believe, however, that there is significant merit in the procedure set forth in Chapter 31 of S. 214 and, with one proposed change noted below, we hope that serious consideration is given to this procedure in the executive session. We find the Chapter 31 procedure satisfactory except for one provision, namely that if a defendant in an infringement suit cites prior art, this art is considered by the Office ex parte without opportunity for the defendant to participate by way of oral argument, testimony, etc. If Chapter 31 were modified to provide for full participation in the Office reexamination procedure by the party citing art in a civil action involving a patent (leaving all other reexamination in the Office on an ex parte basis) we would find Chapter 31 acceptable and in fact believe it has advantages over Sec. 135 of S. 2255. This could easily be accomplished by adding a subsection (c) to Sec. 320 of S. 214 reading as follows:

"(c) In the event reexamination of a patent is ordered by the Commissioner upon the citation of patents or publications by a party to a civil action involving the patent, or in the event reexamination of the patent has been ordered and is pending as a result of the citation of patents or publications to the Office by any person prior to the institution of the civil action, all parties to the civil action shall have the right to participate in the reexamination proceeding and in that regard shall be permitted to:

"(1) submit written briefs.

"(2) present oral arguments.

"(3) present oral testimony and depositions and cross-examine witnesses in regard to matters having a bearing on the validity of scope of any claim involved in the reexamination proceeding."

Section 271(e) would permit the importation into the U.S. of an infringing product without recourse against the importer in the circumstance where importation is made through a non-exclusive sales or distribution agreement. Thus, this provision would tend to favor foreign manufacturers importing into the U.S. in a way in which foreign countries by and large do not favor American industry with respect to importations into those countries. We believe it unwise by unilateral action to have U.S. industry at a disadvantage with respect to their foreign competitors in other industrialized countries. To the extent that provisions such as those incorporated in this section are considered desirable they should be adopted in the context of bilateral negotiations with foreign governments.

One final point. We have noted in our own studies and in reported studies by the Patent and Trademark Office and others that this legislation is expected to add substantially to the cost of obtaining patents. We are prepared to accept some increase in costs but we urge that all reasonable steps be taken to keep such increases to a minimum.

Thank you for this opportunity to provide our comments to you in connection with the upcoming consideration of S. 2255. With the exceptions pointed out above, we believe that S. 2255 is generally satisfactory and we would support its enactment with these limited changes. We appreciate the time and effort which you and others have devoted toward working out the many difficult issues, and we are hopeful that patent revision legislation will be forthcoming.

Very truly yours,

H. F. MANDECK, JR.,
General Patent Counsel.

MERCK & CO., INC.,
Rahway, N.J., November 26, 1975.

HON. PHILIP A. HART,
U.S. Senate,
Washington, D.C.

Re: Patent Law Reform—S. 2255

DEAR SENATOR HART: I understand that the Senate Judiciary Committee plans to meet on December 10th to consider forwarding to the floor of the Senate for actions S. 2255 which you co-sponsored with Senators McClellan, Scott and Burdick.

As you know, we at Merck have a keen interest in this proposed legislation. I hope, and believe, you have found us helpful to you, the other members of the subcommittee, and your staffs, in the attempt to develop a patent law which balances the interests and needs of all segments of the inventive community and the public.

It is, therefore, with a sense of disappointment that I write you at this time to request that you reconsider your commitment to the present bill. Indeed, I urge you to vote to return the legislation to the subcommittee for significant modification.

We have been prepared to accept as inevitable an increase in expense to us from any revision of the patent law. We also recognize that any revision will probably increase the complexity of patent procurement, but the degree of complexity which is resident in S. 2255 is disturbing to contemplate. More concerning to us are the major deficiencies in the legislation with respect to third party participation in the patenting procedure, lack of protection for the chemical industry from foreign imports made using our inventions, and the failure to establish a statutory basis to moderate the present system of costly and time-consuming interference proceedings.

I'm sure you understand the depth of our concern for maintaining an effective patent system to insure this nation's scientific progress to which we have been proud to contribute. I assure you that we stand ready to continue to devote time and effort with you and your colleagues in reaching our mutual objective of a sound patent statute.

Sincerely,

W. H. GADSDEN.

MERCK & CO., INC.,
Rahway, N.J., November 26, 1975.

HON. PHILIP A. HART,
U.S. Senate,
Washington, D.C.

Re: Patent Law Reform—S. 2255

DEAR SENATOR HART: Thank you for your letter of November 20, 1975 which invites comment with respect to S. 2255. We do, indeed, support the efforts for general reform and revision of the patent code but I am afraid that we at Merck cannot support S. 2255 as the proper vehicle to accomplish the goal.

Interestingly, receipt of your letter has coincided with the communication today of Merck's view to you and to the other members of the Judiciary Committee. The expression of disappointment on Mr. Gadsden's part stems largely from my communications to him with respect to our activities with members of the Subcommittee over the last several years.

I would like to take this opportunity to amplify our view since I feel indebted to your office for the many courtesies extended to me by Mr. Bernard Nash of your staff in providing a great amount of his time and open-minded attention to our views. I am sure you feel fortunate to have a man of Bernie's calibre on your staff and I can only express appreciation to you for permitting, and indeed, encouraging him to engage in the candid and fruitful dialogues which he made available to us.

The task of developing a revised patent law that satisfies all segments of the interested public is, as Bernie and I undoubtedly agree, impossible. From our extended dialogues we feel a balancing of interests has emerged in most sections of the statute and the patent law would be strengthened as a result of their enactment. However, there are significant areas where your office and we are polarized, and several areas are so important to us in our judgment of an appropriate patent statute that we have concluded that the job is not yet done with S. 2255.

Mr. Gadsden's letter delineates the three areas of most concern. We have strongly urged your office to support the concept of re-examination as proposed by the American Bar Association and Senator Fong's S. 214. We have acknowledged the propriety of several amendments to Chapter 31 but support the fundamental concept rather than pre-grant opposition as proposed by the Administration or the post-grant opposition in S. 2255. We are convinced that even if no other changes were made to the patent law, adoption of the re-examination procedure would assure the benefits of the patent system to all segments of society and would contribute positively to competition in the United States.

We feel strongly that the chemical industry should have the right to enforce its chemical process patents against a party making use of the product resultant therefrom in the commerce of the United States when such party has imported the product from overseas. Such a doctrine of law exists in those countries in which our overseas competitors are domiciled and we believe it is equitable to assure us similar protection against their use of our inventions to the detriment of our commerce in the United States. Section 271(e) of S. 2255 is clearly deficient.

We recognize that your office had concluded that interferences should be eliminated completely with substitution of a first to file system. We disagree with that concept and also feel that S. 2255 is a step backward on this problem. We have suggested a resolution of priority questions in the manner proposed in Senator Buckley's S. 2930 in the last Congress.

Bernie and I have not agreed on several other points such as joint inventors and the complexity of Sections 112, 115 and 132. A more fundamental issue between us has been the concept of deferred examination which has not had sufficient consideration for enactment at this time. It seems apparent that if deferred examination is to be included in our law equitable treatment of the interim rights of an applicant must be provided and the statute is totally deficient in this regard.

Forgive me for the length of this letter, but I feel it important that you have a full and frank statement of our views in this critical period of patent revision. As Mr. Gadsden indicated, we are ready to contribute further efforts in any manner you deem appropriate.

Again, I thank you for the "open door" policy of your office.

Sincerely,

RUDOLPH J. ANDERSON, JR.

[EXHIBIT 5]

PATENT LAW REFORM: A LEGISLATIVE PERSPECTIVE OF AN EXTENDED GESTATION

(By Senator HUGH SCOTT* AND DENNIS UNKOVIC**)

The movement to reform the patent law of the United States has been a tremendously complicated legislative effort. Despite general agreement that patent law needs rejuvenation, disagreement remains concerning the necessary degree and kind of alteration. Hopefully the long-awaited reform bill soon will be at hand; chances that the present Congress will pass such a bill seem better than at any time in recent years.

This Article will examine attempts during the past 23 years to legislate a comprehensive patent reform bill and will examine currently proposed legislation, especially the Administration proposals. It is hoped that this examination will illuminate the forces at work in the legislative process which at sometimes have frustrated, and at others en-

Honorable Peter W. Rodino, Jr.
Chairman
Committee on the Judiciary
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Proposals to revise our patent laws have been continuously pending in Congress for ten years. S 2255, passed by the Senate on February 26, 1976, and referred to the House, is the latest effort to modernize the law to accommodate the accelerating progress of science and technology, the changing nature of applied research, and the vast proliferation of technological information. Although it is evident that the House will not have time this session to consider the many complex issues contained in S 2255, I believe our comments will be helpful to future consideration of patent law revision proposals. In offering these comments, I would like to emphasize that they represent the views of the Department of Commerce only and not necessarily those of the Administration.

The Department of Commerce is concerned that many of the provisions of S 2255 will be excessively expensive and unduly burdensome, both to the patent applicant and to the Patent and Trademark Office. The bill establishes some new procedures which are not needed, and fails to establish some that are needed. Finally, many of the provisions in S 2255 include unnecessary detail, better left to agency rules. Included herein and appended hereto are our suggestions for improving S 2255.

Background

Patent law is of vital concern to this Department and to the Nation as a whole since patent law can exert a strong influence on the development and use of new technology. While consensus exists that some revision of the patent law is timely and appropriate, substantial opposition to S. 2255 has been expressed by concerned citizens and by members of the patent bar.

We are conscious that in a number of respects S. 2255 is similar to S. 1308, the bill introduced by the Administration. The Department of Commerce, however, did not concur with every provision of S. 1308. While, from our perspective, S. 2255 makes some substantial improvements in S. 1308, we feel that additional modifications are necessary to achieve effective, acceptable and viable patent law revision.

Among the improvements in the Senate-passed bill over S. 1308 are the following: disclosure requirements have been modified to eliminate an implication that confidential proprietary information must be disclosed; public involvement is provided after the grant of a patent rather than before, thus eliminating double publication; review of decisions of the Court of Customs and Patent Appeals would remian in the Supreme Court rather than be switched to the Court of Appeals for the District of Columbia; procedural pitfalls which could have resulted in deserving inventions' being denied protection have been eliminated; and numerous drafting redundancies and ambiguities have been eliminated. Notwithstanding these improvements, from the standpoint of the Department of Commerce, the Senate-passed legislation contains a number of features which would make more expensive and more burdensome the obtaining of a patent and would lead to less certainty of protection by that patent. Thus, we fear that the Senate-passed bill would reduce rather than increase incentives to use the patent system. It would therefore reduce the incentives for voluntary investment in, and disclosure of the results from, research and development activity. The reduced incentive to use and thus disclose via the patent system would lead to an increasing reliance upon a trade secret approach to protect new technology, resulting in needless duplication of work and the loss of additional technological advances which might have been stimulated by disclosure. It is our belief, however, that S. 2255, if suitably amended, can serve as the basis for sound and desirable reform.

Costs

The Administration estimated its bill would increase the estimated current $1500 average cost to the applicant to obtain a patent by 75 to 1000, and many believed this too conservative. The cost increase to the Government was estimated to be nearly 20 million dollars. The estimated costs to applicants under S. 2255, while lower than the Administration bill, are still much too high. Although we cannot quantify the impact on the public of these cost increases, we are confident that significantly fewer patent applications will be filed. The resultant loss of public disclosure of technological information, the loss of incentives to invent or to invest in research, development, and commercialization of new products and processes is bound to have an adverse effect on our technological progress and economic growth.

Burdensome Procedures: Reexamination

An important concept of patent law reform is that at some point before a patent can be enforced there should be opportunity for members of the public to come forward with reasons why the patent should not be enforceable. Unfortunately, sections 135A of S. 2255 provide this opportunity in an unnecessarily burdensome and costly way.

Under section 135, any member of the public, who during the first year after grant presents reasonable grounds for rendering a patent claim invalid, may provoke an inter partes opposition proceeding. In this proceeding the patentee is subject to full discovery, including interrogatories, extensive document production and the taking of testimony.

Thereafter, for the balance of the patent term, section 135A provides for a second inter partes reexamination proceeding, this time limited to prior patents, publications and other information in tangible form. Either party may appeal to the courts the decision ultimately reached by the Office in either type of opposition proceeding.

These provisions invite harassment of the patentee. They could be particularly burdensome to patentees of limited means--independent inventors and small business concerns. There are several aspects of S. 2255 designed specifically to assist inventors of limited means: upper limits on filing, examination, and issuance fees and an opportunity to defer maintenance fees. However, the potential costs associated with the opposition and reexamination procedures under sections 135 and 135A of S. 2255 not only could begin to accumulate immediately after grant, but could far exceed the token concessions granted such individuals with respect to government fees.

A simpler and less burdensome procedure, but one essentially as effective in bringing forth information bearing on patentability, is available. Under this procedure, set forth in detail in the attachment to this letter, prior patents and publications could be submitted for consideration by the Patent and Trademark Office at any time during the life of the patent, and patents and publications could not be used to prove invalidity in an infringement or declaratory judgment action unless first submitted for Office consideration. Neither discovery nor appeals by the opposer would be permitted. The court would thus have the benefit of the views of the Office experts on all cited references, but would be no more bound by those views than it is today.

This procedure would effectively bring forth the best art, but would be less expensive and less burdensome than the provisions for public participation in S. 2255. It would reduce and simplify patent litigation. In our opinion it should be substituted for the procedures contained in S. 2255.

Deferred Examination

The Department of Commerce agrees with the Administration that the procedure referred to as "deferred examination" is not needed or desirable at this time. Under the system which S. 2255 would establish, the examination of a patent application by the Office would normally be deferred until requested by the applicant. If no request for examination is made within five years from the earliest date to which the application is entitled, the application is regarded as abandoned. Since a request for examination would not be made in every application, it is argued that with fewer applications to consider the examiner could spend more time on each application. This argument, however, ignores the administrative realities by which a decrease in workload is normally accompanied by a corresponding decrease in appropriations and staffing.

Furthermore, the publication of unexamined and unscreened applications required under the deferred examination system of S. 2255 would unjustifiably swell the volume of technical literature, would force potential competitors to make in effect their own examination, and, as indicated by the Assistant Attorney General for the Antitrust Division (Hearings on S. 1321 Before the Subcommittee on Patents, Trademarks and Copyrights of the Senate Committee on the Judiciary, 93rd Congress, 1st Session 299 (1973)), could have a chilling effect on competition. For these reasons, sections 191-194 and those other parts of S. 2255 which provide for deferred examination should be deleted.

Joint Inventions

The complexities of modern science and technology, coupled with the specialization of today's engineers and scientists, have resulted in the extensive use of organized research teams funded by government, industry and the universities.

Cooperative effort of this sort should be encouraged and not penalized by unnecessary technical requirements with respect to patents for inventions made jointly by two or more inventors. We urge amendment of section 116 to permit filing by several inventors where they have jointly contributed to at least one claim in the application.

Administrative Provisions

Section 1 of S. 2255 would substantially modify current law concerning the establishment of the Patent and Trademark Office and its relation to the Department of Commerce. In order to clarify the relation of the Office to the Department, it is suggested that section 1 be modified to indicate that the Office and its functions shall be continued in the Department of Commerce under the Secretary of Commerce. Furthermore, since decisions concerning initiation of judicial proceedings and rulemaking involve broad policy considerations which are appropriate for departmental review, the Office should not be independent of the Department in these matters.

Section 3 of S. 2255 would elevate the Commissioner of Patents to an Assistant Secretary of Commerce. Not only is this undesirable because it sets a precedent for the proliferation of Assistant Secretaries, but the Patent and Trademark Office, which is composed of scientists and engineers, should be associated with other science and technology operating units under the jurisdiction of an Assistant Secretary for Science and Technology.

Drafting Approach

Finally, the bill should be amended to minimize unnecessary procedural rigidity and to avoid procedural traps. The drafting of S. 2255, carried over from earlier bills, evidences a strong tendency to rewrite unnecessarily each section of present law, often introducing unintended changes in substance or including procedural details which are more appropriate for implementing regulations.

Sections 112 and 132 are among those sections containing provisions which would significantly limit the flexibility of the Patent and Trademark Office to modify its procedures as experience dictates. In other sections, some of which have been the subject of extensive litigation, the language seems to have been changed for no particular reason. For instance, 35 U.S.C. §112 (1952) of existing law requires a disclosure of an invention sufficient to enable any "person skilled in the art" to make and use it. The same section in S. 2255 has been modified to require that the disclosure be such as to enable any "person having ordinary skill in the art" to make and use the invention. Notwithstanding the fact that the proper interpretation of the phrase "person skilled in the art" has been addressed in more than 100 cases (35 U.S.C.A. §112 n.50), this change and the significance to be attributed to it are not even mentioned in the report accompanying S. 2255. A number of suggestions to improve the drafting of S. 2255, as well as language to implement the points previously mentioned, are included in the attached appendices.

In our view, the changes proposed for S. 2255 in the attached appendices would make that bill an acceptable revision of our patent law: a revision which improves the strength and reliability of the patent system, while enhancing the incentive to invent, invest in, and disclose new technology. It is our hope that these suggestions will receive due consideration when patent law revision is considered in the 95th Congress.

With warm regard,

Sincerely,

Elliot L. Richardson

PROPOSED AMENDMENTS PATENT RULES OF PRACTICES

Patent and Trademark Office

[37 CFR Part 1]

PATENT EXAMINING AND APPEAL PROCEDURES

Proposed Rulemaking

Notice is hereby given that, pursuant to the authority contained in section 6 of Title 35 of the United States Code, the Patent and Trademark Office proposes to amend Title 37 of the Code of Federal Regulations by revising or amending §§ 1.11, 1.14, 1.52, 1.56, 1.65, 1.175, 1.194, 1.196, 1.291, 1.292 and 1.346, and by adding §§ 1.69, 1.97, 1.98, 1.99 and 1.109.

All persons are invited to present their views, objections, recommendations or suggestions relating to the proposed rule changes to the Commissioner of Patents and Trademarks, Washington, D.C. 20231, on or before December 7, 1976, on which date a hearing will be held at 9:30 a.m. in Room 11–C24, Building 3, 2021 Jefferson Davis Highway, Arlington, Virginia. All persons wishing to be heard orally at the hearing are requested to notify the Commissioner of their intended appearance. All comments received will be available for public inspection in Room 11E10 of Building 3.

This proposal has been reviewed pursuant to EO 11821 and OMB Circular A–107 and determined to have no major inflationary impact.

Background

The purpose of the proposed changes is to improve the quality and reliability of issued patents by strenghtening patent examining and appeal procedures.

In recent years there has been extensive public discussion concerning the U.S. patent examining system. Much of it stemmed from the 1966 Report of the President's Commission on the Patent System. The Commission made 35 recommendations for improvements, most of them requiring legislation. As as result, bills were introduced in the 90th Congress in 1967 and hearings were held on those and subsequent bills. The most recent patent bill to receive Congressional attention, S. 2255, 94th Congress, was passed by the Senate on February 26, 1976. It now appears, however, that no patent legislation will be enacted during the current year.

Certain of the proposals that have been made in the various bills can be implemented under the Commissioner's rulemaking authority and within the confines of the Office's current budget. In other cases more limited changes can be implemented in this way. Since it may be some time before the law is revised, it is believed appropriate at this time to consider rule changes of this nature. The Patent and Trademark Office has prepared the present proposals after a review of the various bills and taking into account comments and suggestions received from interested parties.

In addition to strengthening examining and appeal procedures, the proposed rules might serve as models for subsequent legislation or simplify the patent law revision effort by dispensing with the need for certain legislative changes. The proposed rules are intended to: (1) Permit patent owners and others to bring new prior art to the attention of the Office more readily through reissue applications; (2) assist examiners by providing them with "patentability statements" in all applications; (3) define and clarify the duty of applicants and others to bring information relevant to pending applications to the attention of the examiner; (4) modify the requirements for oaths and declarations to help ensure that relevant information is disclosed; (5) make available to the public Office decisions that would be of important precedent value; (6) refine the existing rules governing public use proceedings and protests to the grant of patents; (7) modify appeal procedures to authorize, in appropriate cases, oral arguments by examiners and rejections of allowed claims by the Board; and (8) create a more complete record of reasons for allowing patents.

Reissue Applications

Proposed § 1.175 permits a patent owner to have new prior art considered by the Office by way of a reissue application without making any changes in the claims or specification. Existing § 1.175 requires reissue applicants to file an oath or declaration alleging that they believe "the original patent to be wholly or partly inoperative or invalid * * *" This requirement is dispensed with in proposed § 1.175(a)(1) unless the applicant believes this to be the case. New paragraph (a)(4) recognizes that reissues may be filed to have the patentability of the original patent considered in view of prior art or other information relevant to patentability which was not previously considered by the Office.

Thus the proposed section permits a patentee to file a reissue if he believes his patent is valid over prior art not previously considered by the Office but would like to have a reexamination. The procedure could be used at any time during the life of a patent. During litigation a court might, if it chose, stay proceedings to permit new art to be considered initially by the Office in a simpler and less expensive proceeding. In accordance with existing § 1.176, reissue applications will continue to be acted on by the examiner in advance of other applications.

If a reissue application is filed as a result of new prior art with no changes in the claims or specification and the examiner finds the claims patentable over the new art, the application will be rejected as lacking statutory basis for a reissue, since 35 U.S.C. 251 does not authorize reissue of a patent unless it is "deemed wholly or partly inoperative or invalid." However, the record of prosecution of the reissue application will indicate that the prior art has been considered by the examiner.

Proposed § 1.11 opens reissue applications to inspection by the general public. It is already Office policy to open reissue applications to inspection by opponents of the patentee in litigation or an interference at the opponent's request. The proposed rule opens all reissue applications. Since reissue applications contain no new disclosure, and therefore no trade secrets or confidential information, they are considered to present a "special circumstance" within the meaning of 35 U.S.C. 122.

Proposed § 1.11(b) provides for announcement of the filings of reissue applications in the Official Gazette. This announcement would give interested members of the public an opportunity to submit to the examiner information pertinent to patentability of the reissue application. However, in accordance with proposed § 1.291 members of the public will not be permitted to participate as parties in proceedings before the examiner. See discussion below.

Patentability Statement

Proposed §§ 1.97–1.99 provide for the filing of a patentability statement, similar to what has sometimes been called a patentability "brief", in every patent application. The statement would assist examiners by informing them of the relevant prior art considered by the applicant and giving an explanation of the most relevant references before they undertake their searches. The statement is not intendd to serve as a substitute for the search by the examiner, but only as a starting point and supplement for the search. The statement should provide a more complete written record distinguishing the claims from the prior art.

While the statement will impose some additional burden on applicants, applicants are already required by existing law to bring pertinent information to the attention of the examiner. The statement will serve as a reminder to applicants, attorneys and agents of their responsibility for citing pertinent information.

The patentability statement proposal represents an extension of the Office's existing policy on citation of prior art by applicants.[1] The proposal is similar to the rule change proposal published on September 9, 1969,[2] and to section 131(b) of S. 2255, 94th Congress.

Proposed § 1.97(a) requires the statement to be filed within two months after filing an application, in order to make it available by the time of the examiner's first action. Section (b) makes clear that applicants will not be refused an examination or a patent for any inadvertent failure to comply with the requirements for the statement. Paragraph (c) is intended to avoid any inference as to the thoroughness of any search that is made, or any implied obligation to make any search at all.

[1] See notice of August 12, 1974, 926 O.G. 2.
[2] 34 FR 14176, 866 O.G. 1402.

Section 1.98(a), specifying the content of the statement, requires a listing of relevant information and a "concise" explanation of the references considered most relevant. This emphasizes that a lengthy legal document is not desired. The term "patentability brief" is avoided because the statement contemplated generally would be less detailed than an appellate brief. Only the key features of pertinent references and the most important differences from the claimed invention need be discussed in a few sentences.

Section 1.98(a) states that the statement is to explain why the invention is patentable over prior art which the applicant considered most "relevant" during preparation of the application. The term "relevant" is defined. As to the "most relevant" references, the requirement is for an explanation of those references which meet this qualification in the opinion of the applicant, which will not necessarily be the same as the opinion of the examiner or subsequent reviewing body. The requirement that only the most relevant references need be explained is an attempt to minimize extra burden on the applicant and the Office.

It of course requires persons to exercise judgment in deciding what information to cite. No way has been found to avoid the exercise of judgment if the examiner is to be provided only with information useful to him. The intent of the Office is to avoid penalizing persons for good faith errors in judgment in deciding what information to bring forward. Reasons for patentability need not be stated if no relevant information was considered in preparing the application. The statement could comprise a mere statement that no information was considered.

Proposed § 1.98 requires, except in the case of duplicative references, that a copy of the pertinent portion of each patent or publication considered relevant be submitted. This includes copies of United States patents as well as foreign patents. While patents are of course available in the Office, if the applicant does not include copies the examiner will have to interrupt his examination until copies can be ordered or located. Since the person making the citation has copies in hand, it is believed than an overall saving in time can be achieved by requiring the applicant to supply the copies in all cases. With the widespread availability of copying equipment this burden is now less than in the past. While translations of pertinent portions of foreign language references will be helpful to the examiner, this has not been made a requirement of the proposed rule. When existing translations are readily available they should be submitted.

Proposed § 1.99 provides for updating patentability statements. This is consistent with the duty under existing case law to cite relevant information at any time during the prosecution of an application.

Duty of Disclosure

Proposed § 1.56 defines the duty to disclose information to the Office and the criteria for striking an application when that duty is violated. The proposal codifies the existing Office policy on fraud and inequitable conduct, which is believed consistent with the prevailing case law in the Federal courts. The expanded wording of § 1.56 is intended to be helpful especially to those individuals who are not expert in the judicially developed doctrines concerning fraud. The section should have a stabilizing effect on future decisions in the Office and, although not binding on them, may perhaps offer useful guidance to the courts.

The first sentence of § 1.56(a) names the individuals who have a duty to disclose information to the Office. The second sentence states that the duty is to disclose all information that they believe might reasonably be expected to affect a decision of the examiner.[3] It is somewhat more than that information which in fact would or should cause the examiner to reject claims allowable "but for" the information.[4] As noted below, however, paragraph (c) of proposed §1.56 does not necessarily provide for a penalty when relevant information is not disclosed. The third sentence of paragraph (a) makes clear that the duty of disclosure is less for those persons who are less involved in the preparation or prosecution of the application.

Proposed section 1.56(b) retains the substance of existing § 1.56 and further defines with more particularity the grounds for striking an application. Since the courts have held patents unenforceable under the equitable doctrine of unclean hands when the requirements for fraud in the common law sense are not met, the term "inequitable conduct" is added to the rule. Paragraph (b) also makes clear that a failure to comply with the duty of disclosure may amount to fraud or inequitable conduct.

Paragraph (c) sets forth the criteria that must be satisfied before an application will be stricken for failing to comply with the duty of disclosure. It is believed to reflect the current state of the case law. For fraud or inequitable conduct most courts require "clear and convincing evidence" and an intent to withhold information, or gross negligence equivalent to intent.[5] The cases are not uniform on how material or relevant the information withheld must be. Paragraph (c) (1) adopts a "might reasonably be expected to affect" test. Paragraph (c), however, establishes only the minimum requirements that must be met for striking an application. It leaves the Office with discretion to require a higher degree of materiality (for example, a "but for" test) in appropriate circumstances.

Proposed § 1.346 explicitly requires a reasonable basis to support every assertion of improper conduct under § 1.56 made by a registered practitioner in any Office proceeding. The change in § 1.346 is not a change in substance but is only for emphasis. Concern has been expressed over the increasingly common practice of making "boiler plate" allegations of fraudulent procurement. Proposed § 1.346 gives specific notice that groundless charges of fraud or inequitable conduct may serve as a basis for disciplinary proceedings against registered practitioners under § 1.348.

Oaths and Declarations

Proposed § 1.69 is intended to correct the anomalous situation in which foreign applicants are required to sign an oath or declaration in a language that they may not understand. It requires use of a language which is understood.

Proposed § 1.69(a) requires that persons must understand the content of documents to which foreign language oaths or declarations relate. The term "understands" provides flexibility for persons who cannot read the language in which the specification and claims are written to have the content explained to them.

Proposed section 1.69(b) anticipates that the Office will publish oaths and declaration forms in the languages of those countries from which a significant number of applications are received. An applicant who does not or is unable to use such a form, or any reproduction of such a form, must submit a verified English translation of the oath or declaration at the time it is filed. An exception is made for oaths or declarations under § 1.65, for which a verified English translation may be filed no later than two months after the filing date.

Proposed § 1.52 is changed to be consistent with the requirement of § 1.69 for foreign language oaths and declarations.

Proposed section 1.65(a)(1) requires inventors to acknowledge a duty to disclose information relevant to the patentability of their inventions. While the oath will not define the duty of disclosure fully, acknowledgement in general terms that such a duty exists will emphasize the importance of the duty to inventors who may not be familiar with the requirements of patent law and regulations. If this proposal is adopted the change in § 1.65 also would be incorporated in all appropriate sections in 37 CFR Part 3, "Forms for Patent Cases".

Decisions Made Public

Proposed section 1.14(d) is intended to make more explicit the conditions under which significant decisions of the Patent and Trademark Office will be made available to the public. The proposed rule includes reference to decisions of the Board of Patent Interferences as

[3] See S. 2255, 94th Congress, § 131(b)(1)(B).

[4] See e.g., In re Multi-District Litigation Involving Frost Patent, 398 F. Supp 1353, 1369, 185 USPQ 729, 741, (D. Del. 1975); Kayton et al, Fraud in Patent Procurement: Genuine and Sham Charges, 43 Geo. Wash. L. Rev. 1, 40 (1974).

[5] E.g., Norton v. Curtiss, 433 F. 2d 779, 167 USPQ 532 (CCPA 1970).

well as the decisions of the Board of Appeals and the Commissioner, which were previously covered.

It provides for public disclosure of the subject decisions whenever the applicant or party in interest fails to take the prescribed steps to prevent such disclosure after being given appropriate notice. It is applicable in the case of decisions that would have significant precedent value, where such decisions are contained in either pending or abandoned applications or in interference files not otherwise open to the public. It places the burden on the Office to identify significant decisions. It is anticipated that no more than a few dozen decisions each year would be considered of sufficient importance for publication under the authority of this paragraph.

PROTEST AND PUBLIC USE PROCEEDINGS

Proposed §§ 1.291 and 1.292 give greater recognition to the value of written protests and public use petitions as aids in avoiding the issuance of invalid patents.

Section 1.291(a) provides that protests will be entered in the application file and will, if they meet stated requirements, be considered by the examiner. To guarantee consideration by the examiner, protests would have to be accompanied by copies of prior art documents relied upon, although protests without copies would not necessarily be ignored. This is similar to the requirement of proposed § 1.98 that copies of patents and publications accompany patentability statements. § 1.291 does not contemplate permitting a protester to participate in any further proceeding as a party. In the case of applications available to the public, such as reissue applications, the protester could file papers rebutting statements made by the applicant. The examiner at his discretion might request a protester to submit additional written information or might provide extra time for comments by a protester to be filed.

Section 1.291(b) incorporates the existing Office policy of permitting persons to submit prior art citations or copies of prior art after a patent has been granted.* The material submitted is not examined by the Office, but is available to members of the public inspecting Office records.

Materials submitted to the Office under §§ 1.291 and 1.292 are to be served upon the applicant, patentee, attorney or agent when possible. If service is not possible, materials are to be submitted in duplicate so that the Office can attempt to send the duplicate copy.

In § 1.292 the requirement that petitioner offer to bear the Office's expenses in conducting the public use proceeding is deleted.

Proposed § 1.292 is also intended to ensure that the application file wrapper records the existence of public use proceedings. Notice of a petition for a public use proceeding will be entered in the file in lieu of the petition itself when the petition and the accompanying papers are too bulky to physically accompany the file. Any public use papers not physically entered in the file will be publicly available whenever the application file wrapper itself is available.

PATENT APPEALS

Proposed § 1.194, first, makes clear that oral hearings should be requested only when the appellant considers a hearing necessary or desirable for a proper presentation of his appeal and, second, provides for oral arguments by examiners before the Board in certain appeals.

In most instances, well-written, fully developed arguments in the appellant's brief and the examiner's answer are the most effective way of arguing a case before the Board of Appeals. The legal and technological issues presented in appeals are, for the most part, best presented and understood using the precision of the written word. No adverse implications will be drawn as to the merits of the appeal from an applicant's waiving an oral hearing.

If an appellant considers an oral hearing necessary or desirable for a proper presentation of his appeal, an oral hearing will be scheduled upon request.

Proposed § 1.194(b) permits oral argument by, or on behalf of, the primary examiner whenever either the examiner or the Board believes it would be helpful. It incorporates the present practice of permitting examiners to present oral argument before the Board of Appeals (MPEP 1209). It gives the Board the additional discretionary authority to require examiners to present oral argument to ensure that all issues are fully and accurately presented.

It has been the Board's experience that effective oral argument, when needed, can be presented in less than the 30 minutes allowed in the present rule. Since March 20, 1975, it has been the Board's practice to limit oral argument to 20 minutes.† This practice is reflected in the proposed rules. Arguments by examiners would also be limited to a maximum of 20 minutes. It is anticipated that examiners often would utilize substantially less than 20 minutes since their role would be one of rebuttal and answering questions.

Proposed § 1.196(b) authorizes the Board of Appeals to reject allowed claims. The Board's lack of authority in the past has resulted in some anomalous situations. This proposal is not intended, however, as an instruction to the Board to reexamine every allowed claim in every appealed application. It is intended to give the Board authority to act when it becomes apparent during the Board's consideration of rejected claims that one or more allowed claims should also be rejected, on either the same or on different grounds than applied against the rejected claims.

Although the statutory authority of th Board of Appeals to review "adverse decisions of examiners" (35 U.S.C. 7) has not been narrowly construed,‡ it has been held that since a general rule authorizing review of favorable decisions of the examiner has not been promulgated, the Board lacked such authority.§

The Commissioner can "prescribe as a rule of practice, generally applicable, that a favorable decision by a primary examiner may be reviewed, in the Commissioner's behalf, by some officer or by some board to which has been delegated the duty of making such review." ¶ Proposed § 1.196(b) exercises the Commissioner's discretion to designate the Board of Appeals to review in their capacity as Examiners-in-Chief favorable decisions by the examiner in cases which are otherwise before it.

As proposed, § 1.196(b) would permit an applicant, at his option, to waive reconsideration by the examiner and by the Board of Appeals and treat the Board's rejection of allowed claims as the final decision of the Board. If the applicant elects to follow that course, the Board's rejection of allowed claims would be directly reviewable by the Court of Customs and Patent Appeals or the District Court for the District of Columbia.**

REASONS FOR ALLOWANCE

Proposed § 1.109 authorizes examiners to prepare a written record of the reasons for allowing claims in an application when they believe the reasons will not be apparent from other papers of record. In many cases the reasons for allowance will be evident from the examiner's rejections and the applicant's amendments and arguments overcoming the rejections. Moreover when the examiner's reason for allowance is merely that he can locate no relevant prior art, a statement of reasons probably will be meaningless.

On the other hand, courts and others occasionally have commented that statements of examiners' reasons for allowance would be useful in some circumstances.†† When an applicant submits several arguments for allowing a claim and the examiner finds not all of them persuasive, an explanation could be helpful to anyone later attempting to evaluate the patent. When an examiner withdraws a rejection for reasons not sug-

*See notice of August 12, 1974, 928 OG 2.

†See notice of March 20, 1975, 933 O.G. 1010.

‡In re Loehr, 500 F.2d 1390, 183 USPQ 56 (CCPA 1974); In re Haas, 486 F.2d 1053, 179 USPQ 623 (CCPA 1973); In re Hengehold, 58 CCPA 1099, 169 USPQ 473, 480 (1971); In re Searles, 164 USPQ 523 (CCPA 1970).

§Watson v. Bruns, 239 F.2d 948, 111 USPQ 325 (D.C. Cir. 1956).

¶Id.

**See In re Crowell, 17 CCPA 1009, 39 F.2d 681, 5 USPQ 84 (1930). See also In re Forstrom, 27 CCPA 1160, 111 F.2d 181, 45 USPQ 343 (1940), and In re Kirschbraun, 18 CCPA 735, 44 F.2d 675, 7 USPQ 133 (1930), for direct review of Board's decision on claims presented for the first time before the Board.

††E.g., Album Graphics, Inc. v. Ivy Hill Lithograph Corp., 378 F. Supp. 705, 709-10, 181 USPQ 321, 324-25 (S.D.N.Y. 1973).

gested by the applicant, an explanation could be useful.

Proposed § 1.109 gives the examiner discretion as to whether to prepare a statement of reasons for allowance. The last sentence of proposed § 1.109 permits the applicant to file a statement commenting on the reasons for allowance. Although the examiner would routinely consider the applicant's comments, his reasons would not ordinarily be amended. It is anticipated that the Patent and Trademark Office would prepare guidelines for examiners on administration of the rule. An experiment might be undertaken with a small number of applications before deciding whether to adopt a permanent rule.

PROPOSED RULES

The text of the proposed added and revised sections and paragraphs of sections is as follows (additions are indicated by arrows; deletions are bracketed):

§ 1.11 Files open to the public.

* * * * *

(b) ►All reissue applications and applications◄ [Applications] in which the Office has accepted a request filed under § 1.139►, and related papers in the application file,◄ are open to inspection by the general public, and copies may be furnished upon paying the fee therefor. ►The filing of reissue applications will be announced in the Official Gazette.◄

§ 1.14 Patent applications preserved in secrecy.

* * * * *

(d) ►Any decision of the Board of Appeals or the Board of Patent Interferences, or any decision of the Commissioner on petition,◄ [Selected decisions of the Board of Appeals, or of the Commissioner, in abandoned applications] not otherwise open to public inspection ►(§ 1.11 and paragraphs (a) and (b) of this section) shall◄ [(paragraph (b) of this section) may] be published or made available for ►public inspection if: (1) The Commissioner believes the decision involves an interpretation of patent laws or regulations that would be of important precedent value; and (2) the applicant, or any party involved in the interference, does not, within one month after being notified of the intention to make the decision public, object in writing on the ground that the decision discloses a trade secret or other confidential information. If a decision discloses such information, the applicant or party shall identify the deletions in the text of the decision considered necessary to protect the information. If it is considered the entire decision must be withheld from the public to protect such information, the applicant or party must explain why. Applicants or parties will be given time to request reconsideration and seek court review before any portions of decisions are made public over their objection◄ [publication at the Commissioner's discretion, unless the applicant timely presents sufficient reasons for not doing so. The applicant will be notified, through the attorney of record in the application file, when it is proposed to release such a decision and a time not less than thirty days set for presenting any such reasons. The fact that the subject matter of the application has not been made public in any manner, or that the same subject matter is being prosecuted in a pending application, will be considered sufficient reason for not releasing the decision if the applicant so requests unless the text of the decision contains no description of such subject matter. Other reasons presented will be duly considered.] See § 2.27 for trademark applications.

§ 1.52 Language, paper, writing, margins.

(a) The specification and oath or declaration must be in the English language ►except as provided in § 1.69◄. All papers which are to become a part of the permanent records of the Patent and Trademark Office must be legibly written or printed in permanent ink or its equivalent in quality. All of the application papers must be presented in a form having sufficient clarity and contrast between the paper and the writing or printing thereon to permit the production of readily legible copies in any number by use of photographic, electrostatic, photooffset, and microfilming processes. If the papers are not of the required quality, substitute typewritten or printed papers of suitable quality may be required.

* * * * *

§ 1.56 ►Duty of disclosure; striking of◄ [Improper] applications.

►(a) A duty to disclose information to the Patent and Trademark Office rests on the inventor, each of the attorneys or agents who prepares or prosecutes the application, and every other individual who is involved in the preparation or prosecution of the application and who is associated with the inventor, the assignee or anyone to whom there is an obligation to assign the application. All such individuals have a duty to disclose to the Office information they believe to be relevent to the patentability of the claimed invention, i.e., information that might reasonably be expected to affect the decision of the examiner. The duty is commensurate with the degree of involvement in the preparation or prosecution of the application.◄

►(b)◄ Any application [signed or sworn to in blank, or without actual inspection by the applicant, and any application altered or partly filled in after being signed or sworn to, and also any application fraudulently filed or in connection with which any fraud is practiced or attempted on the Patent and Trademark Office,] may be stricken from the files ►if:

(1) Signed or sworn to in blank, or without actual inspection by the applicant;

(2) Altered or partly filled in after being signed or sworn to; or

(3) Any fraud or inequitable conduct is practiced or attempted on the Office in connection with it, including any violation of the duty of disclosure.◄

►(c) In order for an application to be stricken for failure to comply with the duty of disclosure, it must be established by clear and convincing evidence that:

(1) Information was withheld which might reasonably be expected to affect a decision of the Office on patentability; and

(2) The withholding was deliberate or grossly negligent.◄

§ 1.65 Statement of applicant.

(a) (1) The applicant, if the inventor, must state that he verily believes himself to be the original and first inventor or discoverer of the process, machine, manufacture, composition of matter, or improvement thereof, for which he solicits a patent; that he does not know and does not believe that the same was ever known or used in the United States before his invention or discovery thereof, and shall state of what country he is a citizen and where he resides and whether he is a sole or joint inventor of the invention claimed in his application. In every original application the applicant must distinctly state that to the best of his knowledge and belief the invention has not been in public use or on sale in the United States more than one year prior to his application or patented or described in any printed publication in any country before his invention or more than one year prior to his application, or patented or made the subject of an inventor's certificate in any foreign country prior to the date of his application on an application filed by himself or his legal representatives or assigns more than twelve months prior to his application in this country. ►He must acknowledge a duty to disclose information that he believes relevant to the patentability of the invention.◄ He shall state whether or not any application for patent or inventor's certificate on the same invention has been filed in any foreign country, either by himself, or his legal representatives or assigns. If any such application has been filed, the applicant shall name the country in which the earliest such application was filed, and shall give the day, month, and year of its filing; he shall also identify by country and by day, month, and year of filing, every such foreign application filed more than twelve months before the filing of the application in this country.

(2) * * *

* * * * * *

►§ 1.69 Foreign language oaths and declarations.◄

►(a) Whenever an individual making an oath or declaration cannot understand English, the oath or declaration must be in a language that such individual can understand and shall state that such individual understands the content of any documents to which the oath or declaration relates.◄

►(b) Unless the text of any oath or declaration in a language other than English is a form provided or approved by the Patent and Trademark Office, it must be accompanied by a verified English translation, except that in the ca-

of an oath or declaration filed under § 1.65, the translation may be filed in the Office no later than two months after the filing date.◄

►PATENTABILITY STATEMENT◄

§ 1.97 Filing of patentability statement.

►(a) At the time of filing the application or within two months thereafter, there shall be filed a patentability statement. The statement must be separate from the specification but may refer to matter contained in the specification.◄

►(b) The examiner will decline to examine any application in which the statement is defective or has not been filed. If a statement has been filed but is defective, the applicant will be given an opportunity to submit an amended statement. If no statement has been filed within two months after filing the application, the applicant may submit one later, provided the failure to file has been inadvertent and there is presented an adequate explanation of why it was not submitted earlier.◄

►(c) The statement shall not be construed as a representation that a search has been made or that no better art exists than that which has been considered. This section does not impose an obligation to make any search of patents, publications or other information outside the knowledge of the individuals who have a duty of disclosure under § 1.56.◄

►§ 1.98 Content of patentability statement.◄

►(a) The statement shall include: (1) A listing of the relevant patents, publications or other information, if any, considered by the applicant and/or any attorney or agent during preparation of the application; (2) a copy of at least the pertinent portion of each listed patent or publication; and (3) a concise explanation of the reasons why the claimed invention is believed patentable over the patents, publications or other information which applicant considers most relevant. If no such information was considered, the statement shall so state. By "relevant" information is meant that which might reasonably be expected to affect the decision of the examiner.◄

►(b) When two or more patents or publications considered relevant are substantially identical, a copy of a representative one may be included in the statement and others merely listed. A translation of the pertinent portions of foreign language patents or publications considered relevant should be transmitted if an existing translation is readily available to the applicant.◄

►(c) Information cited or referred to by the examiner or applicant in a parent application must be included in the statement if considered relevant.◄

►§ 1.99 Updating of patentability statement.◄

►If an applicant, attorney or agent learns of additional relevant patents, publications or other information after filing the patentability statement and prior to issuance of a patent, the additional information shall be submitted to the examiner promptly, together with the explanation and copies required by § 1.98. This material may be incorporated into other papers or amendments being submitted to the examiner concurrently.◄

►§ 1.109 Reasons for allowance.◄

►If the examiner believes his reasons for allowing claims in an application will not be apparent from other papers of record, he may notify the applicant of the reasons for allowance. Such reasons may be incorporated into an Office action rejecting other claims of the application or may be the subject of a separate communication to the applicant. The applicant may file a statement commenting on the reasons for allowance within such time as may be specified by the examiner.◄

§ 1.175 Reissue oath or declaration.

(a) Applicants for reissue, in addition to complying with the requirements of the first sentence of § 1.65, must also file with their applications a statement under oath or declaration as follows:

(1) ►When the◄ [That] applicant verily believes the original patent to be wholly or partly inoperative or invalid, ►stating such belief◄ and the reasons why.

(2) When it is claimed that such patent is so inoperative or invalid "by reason of a defective specification or drawing," particularly specifying such defects.

(3) When it is claimed that such patent is inoperative or invalid "by reason of the patentee claiming more or less than he had a right to claim in the patent," distinctly specifying the excess or insufficiency in the claims.

►(4) When the applicant is aware of prior art or other information relevant to patentability, not previously considered by the Office, which might cause the examiner to deem the original patent wholly or partly inoperative or invalid, particularly specifying such prior art or other information and requesting that if the examiner so deems, the applicant be permitted to amend the patent and be granted a reissue patent.◄

►(5)◄ [(4)] Particularly specifying the errors ►or what might be deemed to be errors◄ relied upon, and how they arose or occurred.

►(6) Stating that◄ [(5) That] said errors ►, if any,◄ arose "without any deceptive intention" on the part of the applicant.

* * * * *

§ 1.194 ►Oral◄ Hearing.

►(a) An oral hearing should be requested only in those circumstances in which the appellant considers such a hearing necessary or desirable for a proper presentation of his appeal. An appeal decided without an oral hearing will receive the same consideration by the Board of Appeals as appeals decided after oral hearing.◄

►(b) If appellant requests an oral hearing, an oral argument may be presented by, or on behalf of, the primary examiner if considered desirable by either the primary examiner or the Board.◄

►(c)◄ If no request for oral hearing has been made by the appellant, the appeal will be assigned for consideration and decision. If the appellant has requested an oral hearing, a day of hearing will be set, and due notice thereof given to the appellant. Hearing will be held as stated in the notice, and oral argument will be limited to [one-half hour] ►twenty minutes each for the appellant and for the primary examiner◄ unless otherwise ordered before the hearing begins.

§ 1.196 Decision by the Board of Appeals.

* * * * *

(b) ►Although the Board of Appeals normally will confine its decision to a review of rejections made by the primary examiner, should it◄ [Should the Board of Appeals] have knowledge of any grounds not involved in the appeal for rejecting any appealed claim, ►or knowledge of any grounds for rejecting any allowed claim,◄ it may include in its decision a statement to that effect with its reasons for so holding, which statement shall constitute a rejection of the claims. The appellant may submit an appropriate amendment of the claims so rejected or a showing of facts, or both, and have the matter reconsidered by the primary examiner. The statement shall be binding upon the primary examiner unless an amendment or showing of facts not previously of record be made which, in the opinion of the primary examiner, avoids the additional ground for rejection stated in the decision. The applicant may waive such reconsideraiton before the primary examiner and have the case reconsidered by the Board of Appeals upon the same record before them. Where request for such reconsideration is made the Board of Appeals shall, if necessary, render a new decision which shall include all grounds upon which a patent is refused. The applicant may waive reconsideration by the Board of Appeals and treat the decision, including the added grounds for rejection given by the Board of Appeals, as a final decision in the case.

* * * * *

§ 1.291 Protests ►and prior art citations by public.◄ [to the grant of a patent.]

►(a)◄ The patent statutes do not ►prohibit◄ [provide for] opposition to the grant of a patent on the part of the public. [Protests to the grant of a patent are ordinarily merely acknowledged, and filed after being referred to the examiner having charge of the subject matter involved for his information.] ►A protest to the grant of a patent specifically identifying the application to which the protest is directed will be entered in the application file, and if timely submitted and accompanied by a copy of any prior

art documents relied upon will be considered b ythe examiner.◄

►(b) Citations of prior art may be entered in the patent file after a patent has been granted, at the request of a member of the public or the patentee. Such citations will be entered without comment by the Patent and Trademark Office.◄

►(c) Protests and prior art citations by the public, and any accompanying papers or exhibits, should either (1) reflect that a copy of the same has been served upon the applicant or patentee or his attorney or agent of record; or (2) be filed in duplicate in the event service is not possible.◄

§ 1.292 Public use proceedings.

* * * * *

(b) The petition and accompanying papers should [be filed in duplicate, or served upon the applicant, his attorney or agent of record, and petitioner should offer to bear any expense to which the Office may be put in connection with the proceeding] ►either (1) reflect that a copy of the same has been served upon the applicant, his attorney or agent of record; or (2) be filed in duplicate in the event service is not possible. The petition and accompanying papers, or a notice that such a petition has been filed, shall be entered in the application file.◄

§ 1.346 Signature and certificate of attorney.

Every paper filed by an attorney or agent representing an applicant or party to a proceeding in the Patent and Trademark Office must bear the signature of such attorney or agent, except papers which are required to be signed by the applicant or party in person (such as the application itself and affidavits or declarations required of applicants). The signature of an attorney or agent to a paper filed by him, or the filing or presentation of any paper by him, constitutes a certificate that the paper has been read; that its filing is authorized; that to the best of his knowledge, information, and belief, there is good ground to support it ►(including good ground to support any assertion of improper conduct under § 1.56)◄; and that it is not interposed for delay.

Dated: September 17, 1976.

C. MARSHALL DANN,
Commissioner of Patents and Trademarks.

Approved: September 28, 1976.

BETSY ANCKER-JOHNSON,
Assistant Secretary for Science and Technology.

-- End of Section E --

THE DEVELOPMENT OF THE STANDARD OF CONDUCT REQUIRED IN PATENT AND TRADEMARK OFFICE PROCEEDINGS

ROBERT T. MAYER*

In 1944 the United States Supreme Court was so outraged by an attempt to enforce a patent obtained by fraud that it ordered the dismissal of a lawsuit[1] charging infringement of the patent. Mr. Justice Black wrote the majority opinion for the Court and stated the reason for the decision. "To grant full protection to the public against a patent obtained by fraud", he said, "that patent must be vacated."[2] Justice Black considered this to be the first case of its kind. He believed that dismissal had never before been granted as a remedy in a patent infringement action because of the commission of a fraud in the procurement of a patent. This is clear from the statement in his opinion that "It has previously been decided that such a

*Patent Counsel, Otis Elevator Company

remedy is not available in infringement proceedings, but can only be accomplished in a direct proceeding brought by the government."[3]

Some commentators[4] have disagreed with whether this was the first such case. In support of their position, they point to an earlier decision[5] of the Supreme Court in which fraudulent conduct was the basis upon which it upheld a lower court's dismissal of a patent infringement suit. A close reading of this earlier case, however, shows that Justice Black was correct. The decision in the earlier case was not based upon fraud in procurement of a patent. Instead, the dismissal was upheld because of a fraud committed in an earlier infringement action involving the same patent. In the earlier lawsuit the patent owner had suppressed evidence of a prior use which would have cast doubt upon the validity of the patent. The fraud, upon which the decision was based in this case, had not been committed in the patent Office during the procurement of the patent but after its grant.

In any event, fraudulent conduct in the Patent Office had been established as a valid defense in an infringement suit at least by 1944. It was not until a year later, however, in another case[6] before the Supreme Court involving the same defense, that a standard of proper conduct for those involved in Patent Office proceedings was first proposed. Mr. Justice Murphy wrote the majority opinion for the Court. In it, he established the following duty for parties dealing with the Patent Office. "Those who have applications pending in the Patent Office or who are parties to Patent Office proceedings", he said, "have an uncompromising duty to report all facts concerning possible fraud or inequitableness underlying the applications in issue."[7]

The court was not content with the mere recitation of the duty, however. It further described how applicants were to treat information about fraudulent or inequitable conduct in order to discharge their duty. "The duty", the opinion states, "is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. Public interest demands that all facts relevant to such

matters be submitted formally or informally to the Patent Office, which can pass upon the sufficiency of the evidence. Only in this way, can that agency act to safeguard the public in the first instance against fraudulent patent monopolies."[8]

It was four years later, in 1949, that the Supreme Court again decided a case involving fraud committed in procuring a patent. This case involved the appeal of a proceeding disbarring an attorney from practice before the United States Patent Office for aiding in the commission of a fraud. The fraud involved was that committed in procuring the patent involved in the 1944 case which Justice Black called the first to permit fraud in procurement to be raised as a defense against a charge of infringement.[9]

In deciding the appeal, the Court found that the disbarment proceeding had been fairly conducted and that the disbarment was amply supported by the evidence presented. In its opinion, the Court specifically referred to one of the statements made by the Patent Office Committee on Enrollment and Disbarment in the proceeding below. It stated that it agreed with the

Committee that " 'By reason of the nature of an application for patent, the relationship of attorneys to the Patent Office requires the highest degree of candor and good faith. In its relation to applicants, the office...must rely upon their integrity and deal with them in a spirit of trust and confidence...'."[10] This statement in 1949 constitutes the most explicit comment the Supreme Court has made concerning the proper standard of conduct for parties involved in proceedings before the Patent Office.

In view of the explicitness of the Supreme Court statement concerning this standard of conduct, it is surprising how slowly the law with respect to the standard developed. A search of reported cases for the fifteen year period from 1949 through 1964 has revealed forty-two patent cases in which the issue of fraud or inequitable conduct in procuring a patent was raised. Interestingly, only two of these cases resulted in decisions in which the claim of fraud was upheld. In one[11] of these, a patent application was stricken from the active files of the Patent Office because the applicant had introduced fraudulent evidence in an interference in which the

stricken application had been involved. In the other case,[12] a fraud committed during an interference resulted in the dismissal of a suit to reverse the decision in the interference proceeding.

It was not until 1965 that the law involving the proper conduct to be exercized in proceedings in the Patent Office started to develop. In that year the Supreme Court decided[13] that "...the maintenance and enforcement of a patent obtained by fraud on the Patent Office may be the basis of an action under §2 of the Sherman Act," (15 U.S.C. §2) "and therefore subject to a treble damage claim by an injured party under §4 of the Clayton Act."[14] (15 U.S.C. §15)

The following year, 1966, a further development took place.[15] In that year, the Sixth Circuit Court of Appeals decided that the use of a patent obtained by fraud on the Patent Office "... for the purpose of excluding competition constitutes an unfair method of competition under Section 5..."[16] of the Federal Trade Commission Act (15 U.S.C. §45). In addition, the Court decided that if the violation was supported by substantial evidence the Federal Trade Commission would have jurisdiction to require,

as a remedy, the compulsory licensing of the tainted patent on a reasonable royalty basis.

That 1965 represents a turning point in the law is borne out by the upsurge in the number of reported cases involving misconduct since then. A search for cases reported during the period from 1965 through March, 1976 reveals 179 involving the issue of fraudulent or inequitable conduct. In 54 of them, it appears that the Courts found a party guilty of misconduct. These figures represent a startling increase over the comparable figures for the preceeding fifteen years. As we have seen, in those years, only 42 fraud cases were reported and misconduct was found to have occurred in only 2 of them.

The figures speak for themselves. Not only is there an increased chance that fraud on the Patent Office will be alleged in patent litigation. There is also an increased liberality on the part of courts in finding instances of fraud.

The warning that these figures present should not be ignored. The consequences of doing so are manifold and costly.

As we have already seen a finding that a fraud has been perpetrated has, in the past, resulted in

1. the dismissal of a suit for patent infringement with the effect that the patent was rendered unenforceable,[17]
2. the disbarment of an attorney involved in fraudulent conduct,[18]
3. the dismissal of a suit seeking to reverse an interference decision with the result that the opponent was awarded priority,[19] and
4. the removal of a patent application from the active files of the Patent Office.[20]

In addition, a determination that misconduct has taken place may support a charge that the anti-trust laws have been violated and that treble damages should be awarded.[21] Similarly, a finding of misconduct could be the grounds for a charge that the Federal Trade Commission Act has been violated.[22]

In fact, in 1968, the Sixth Circuit Court of Appeals[23] upheld a Federal Trade Commission decision which had found such a violation and had ordered compulsory licensing to remedy it.

Other cases have invalidated fraudulently obtained patents after trial[24] as well as on motion for summary judgement,[25] and have awarded attorney's fees to parties injured because of misconduct.[26]

In granting relief, courts still refer to the misconduct upon which their decisions are based as fraud. It must be understood, however, that not all recent instances of misconduct involved conduct which amounted to what might be called "intentional fraud". In the past, it seems, it was necessary to establish "intentional fraud". In order to be granted relief it was necessary to prove that a deliberate material misrepresentation had been made to the Patent Office and that the intention to mislead the Office by means of the misrepresentation had been accomplished. In addition, the proof of such fraud had to be "clear and convincing".[27]

At present, while it appears that the clear and convincing rule still applies, the type of misconduct need not qualify as "intentional fraud" in order for the courts to grant relief. This is clear from a decision[28] rendered by the Court of Customs and Patent Appeals in 1970. In it the Court stated that

> "The ex parte prosecution and examination of a patent application must not be considered as an adversary proceeding and should not be limited to the standards required in inter partes proceedings. With the seemingly ever-increasing number of applications before it, the Patent Office has a tremendous burden. While being a fact-finding as well as an adjudicatory agency, it is necessarily limited in the time permitted to ascertain the facts necessary to adjudge the patentable merits of each application. In addition,

it has no testing facilities of its own. Clearly, it must rely on applicants for many of the facts upon which its decisions are based. The highest standards of honesty and candor on the part of applicants in presenting such facts to the office are thus necessary elements in a working patent system. We would go so far as to say they are essential."[29]

Judge Miller of the Court of Customs and Patent Appeals in commenting recently on this statement by the Court mentioned that he believed it demonstrated that "...there is a disposition on the part of courts, and certainly the C.C.P.A., to hold an applicant to a position of trust before the PTO."[30]

Significantly, Judge Miller's comment echoes the standard of conduct set forth by the Supreme Court in 1949 when it said that "In its relation to applicants, the [patent]

office...must rely upon their integrity and deal with them in a spirit of trust and confidence...".[31] It is hard to believe that the similarity in these statements is merely coincidental. More likely, the lower courts have finally come to appreciate how strict a standard of conduct the Supreme Court established in 1949.

Certainly, courts presently are testing the conduct of those who have dealt with the Patent Office in the past against this strict standard. And, the trend is clear. There is no reason to believe the standard will be relaxed in the future. If anything, it is likely to be made stricter.

The standard, it must be realized, is not a negative one. It does not merely require the avoidance of "intentional fraud". Although, of course, that also is required.

More importantly, however, the standard establishes a positive obligation. To insure that present day conduct will not be found lacking in the future, it

is believed safe to say that all information which it is thought might materially affect the proceedings in the Patent and Trademark Office must be formally provided to the Office. Reasonable doubts as to the relevancy of any information should be resolved in favor of providing it. The existence of such doubts will probably not be recognized in the future as excusing a failure to provide information. As a safeguard, in situations where doubts exist, the Patent and Trademark Office should be provided the information so that the Office itself can decide its relevancy.

1. Hazel-Atlas Glass Co. v. Hartford Empire Co., 61 USPQ 241 (U.S. Sup. Ct., 1944)

2. Id at 247

3. Id at 247

4. Cochran, Historical Review of Fraud in Patent Procurement: The standards and Procedures for Doing Business Before the Patent Office, 52 J.P.O.S. 71 (February, 1970); Ram, Patent Fraud: A New Defense?, 54 J.P.O.S. 363 (June, 1972)

5. Keystone Driller Co. v. General Excavator Co., 19 USPQ 228 (U.S. Sup. Ct., 1933)

6. Precision Instrument Co. et al v. Automotive Co., 65 USPQ 133 (U.S. Sup. Ct., 1945)

7. Id at 139

8. Id at 139

9. Kingsland v. Dorsey, 83 USPQ 330 (U.S. Sup. Ct., 1949)

10. Id at 330

11. Ex parte Mallard, 71 USPQ 294 (Com'r. Pats. 1946)

12. Mas v. Coca Cola, 74 USPQ 275 (CA 4, 1947)

13. Walker Process Equipment Inc. v. Food Machinery and Chemical Corp., 147 USPQ 404 (U.S. Sup. Ct., 1965)

14. Id at 405

15. American Cyanamid Co. v. Federal Trade Commission, 150 USPQ 135 (CA 6, 1966)

16. Id at 142

17. Supra notes 1 and 6

18. Supra note 9

19. Supra note 12, see also Lund v. Bently, 188 USPQ 9, (Bd.Pat.Int., 1974)

20. Supra note 11

21. Supra note 13, see also Kearney and Trecher v. Cincinnati Milacron, 184 USPQ 134 (S.D. Ohio, 1974)

22. Supra note 15

23. Charles Pfizer and Co., Inc. et al v. Federal Trade Commission, 159 USPQ 193 (CA 6, 1968)

24. Beckman Instruments, Inc. v. Chemtronics, Inc., 165 USPQ 355, (CA 5, 1970)

25. Pfizer, Inc. v. International Rectifier Corp., 186 USPQ 511 (D. Minn., 1975)

26. Dresser Industries, Inc. v. Eltra Corp., 186 USPQ 329 (N.D. Ohio, 1975); W. R. Grace and Co., Inc. v. Western U.S. Industries, Inc., et al, 187 USPQ 40 (C.D. Calif., 1975)

27. Armour and Co. v. Wilson and Co., 124 USPQ 115, (CA 7, 1960)

28. Norton v. Curtiss, 167 USPQ 532, (CCPA, 1970)

29. Id at 544

30. Miller, Fraud On The PTO, 58 J.P.O.S. 271, (May, 1976)

31. Supra note 10

"Inventive Step" of an Invention

Japan Division, First Committee

Speaker: Yoshihiko Kachu (Ube Industries Ltd.)

Purport

An invention has to have "inventive step" in order to be granted a patent. I will outline the provisions of law and standards for judgment referred to by the Japanese Patent Office in examination of patent applications. I will study, from a number of angles, the judgments of the court on the "inventive step" of inventions as observed from judicial precedents.

§1. Section 29 of the Japanese Patent Law (in comparison with the U.S. Patent Act)

§2. Standards for Judgment of "Inventive Step" of an Invention in Examination of Patent applications by the Japanese Patent Office.

§3. "Inventive Step" Seen in Key Cases

§1. Section 29 of the Japanese Patent Law (in comparison with the U.S. Patent Act)

1. Subsection (1)

Any person who has made an invention which is industrially applicable may obtain a patent therefor, except in the case of the following inventions:

(This corresponds to 35 USC § 101.)

(i) inventions which were publicly known in Japan prior to the filing of the patent application;

(ii) inventions which were publicly used in Japan prior to the filing of the patent application;

(iii) inventions which were described in a publication distributed in Japan or elsewhere prior to the filing of the patent application.

(Paragraphs (i) to (iii) correspond to 35 USC § 102 (b) except for the part which reads "prior to the filing of the patent application" instead of "before the invention thereof by the applicant for patent" in the U.S. Patent Act.

Paragraphs (i) to (iii) also correspond to 35 USC § 102 (b) except for the part which reads "prior to the filing of the patent application" instead of "more than one year prior to the date of the application for patent in the United States" in the U.S. Patent Act.)

2. Subsection (2)

Where an invention could easily have been made, prior to the filing of the patent application, by a person with ordinary skill in the art to which the invention pertains, on the basis of an invention or inventions referred to in any of the paragraphs of subsection (1), a patent shall not be granted for such an invention notwithstanding subsection (1).

(This subsection corresponds to 35 USC § 103 except for the passage which reads "prior to the filing of the patent application" instead of "at the time of the invention" in the U.S. Patent Act.)

§2. Standards for Judgment of "Inventive Step" of an Invention in Examination of Patent Applications by the Japanese Patent Office

1. Foreword

The Japanese Patent Office has compiled and made public the standards to be referred to in examination of a patent application.

There are general standards with regard to the "identity of an invention," "change in gist of specifications," "co-application" and others, but there are no standards on "inventive step" of an invention."

However, "the standard for examination by industry" prepared to be referred to in particular industrial and technical fields contains a standard for judgment of "inventive step" of the invention concerned. I have selected a number of industrial divisions and listed items serving as standards for examination of the "inventive step of an invention" contained in "the standards for examination by industry."

Some of the matters, such as "catalysts," have their own items for judgment of their inventive step.

Such substances as "organic compounds," "organic highpolymer compounds" and "medicines," for which amendment of standards is now under way as a result of granting the adoption of a patent system for chemical substances and medicines, were not taken up.

2. Items Common to Many "Standards for Examination by Industry"

Explained below are items used for judgment of "inventive step" of an invention by many industrial divisions.

(1) An invention resulting from easily accomplished "aggregation of prior art."

This is an invention consisting of plural prior arts aggregated. Should those skilled in the art

experience no difficulty in aggregation and the effects thus produced as a result of aggregation not exceed the effect ordinarily anticipated, or should the plural prior arts aggregated fail to produce a better effect than the sum of the unique effects that each prior art has, the invention is recognized as one resulting from easily accomplished aggregation of prior arts and judged that it has no "inventive step."

(2) An invention resulting from easily accomplished "conversion of prior art."

This is an invention made through the conversion of a prior art. Should those skilled in the art find no difficulty in conversion of the prior art concerned and the effect thus produced from the conversion not exceed the effect normally anticipated, this invention is recognized as an invention resulting from easily accomplished conversion of prior art, and the invention is judged to have no "inventive step."

(3) An invention made through easily accomplished "substituting of prior art."

This is an invention made by means of substituting some elements comprising the prior art concerned with some other prior art. Should those skilled in the art experience no difficulty in substituting the elements

involved with some other prior art and the effect thus produced from the substituting not exceed the effect normally anticipated, this invention is recognized as an invention made by means of substituting some elements involved, and it is judged to have no "inventive step."

(4) An invention made by means of easily accomplished "change of use of prior art."

This is an invention whose composition is the same as a prior art whose use has been changed. Should those skilled in the art experience no difficulty in changing the use of the prior art concerned and the effect thus produced by this invention be within the scope properly anticipated from the change of use of the prior art concerned, this invention is judged as one having no "inventive step."

§3. "Inventive Step" Seen in Key Cases

1. Introduction

In Japan, Subsection 2 of Section 29 was added to the Patent Law through the amendment in 1959. It is said that the amendment was intended to codify the practices up to then concerning inventive step which had been considered a part of novelty. "Non-easiness" in Japanese patent law may correspond to "non-obviousness" in the

US patent law and it is usually a standard in defining "inventive step." Non-easiness as a standard of patentability was set forth in the leading cases by the former Supreme Court (former Supreme Court* (O) No. 36 of 1912; April 1, 1912) as follows. "It must be judged whether an invention could have easily been made with ordinary knowledge of the prior arts or whether it required an inventive idea and skill and, therefore, has value as a new invention." Therefore, it is difficult to say that the codification of Subsection 2 of Section 29 caused a major change in the standards of patentability found in rulings of former Patent Office and Court cases.

In Japan where no case law is adopted, it is difficult to classify the various approaches to inventive step. Inventive step itself is a subjective standard and changes as the situation changes delicately from case to case. However, let us discuss major trends briefly.

2. Preliminary Consideration of Inventive Step

An invention must be described in the specifications by the statement of its purpose, constitution or subject matter and effect (Subsection 4, Section 36 of the Patent Law), but the essence of the invention lies in its

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* The predecessor of the present Supreme Court.

constitution or subject matter. Therefore, it is concluded that "whatever its stated purpose and effect may be, claimed constitution cannot be considered a different invention as long as it is essentially similar to a prior invention." (Tokyo High Court** (Gyo Ke) No. 88 of 1972; February 18, 1975: Supreme Court*** (O) No. 101 of 1955; April 24, 1956). If two inventions are substantially identical in constitution, there is no need to discuss nonobviousness or inventive step. If there is a great difference in constitution, then an invention may be regarded as having inventive step even though its effect is the same as that of a prior art. (Tokyo High Court (Gyo Ke) No. 129 of 1966; December 24, 1971)

When there is no significant difference in constitution between two inventions, it is usual to refer to their purposes and effects to determine the significance of the difference. This is done as a matter of course because an invention is regarded as a technical means to achieve an intended purpose.

In addition, it is also usual to consider whether an invention could have been easily made with ordinary

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** The Tokyo High Court (which has exclusive jurisdiction over matters related to the annulment of Patent Office decisions).
*** The Supreme Court.

knowledge.

3. Approach by Function and Effect

It seems that many Japanese court cases concerning non-easiness or inventive step lay stress on how to determine the purpose, function, and effect of an invention, especially the function and effect. Major cases are introduced below:

(1) "A thing that can produce a new industrial effect through the combined application of prior arts is a new invention." (Former Supreme Court (O) No. 499 of 1914; January 19, 1915)

(2) "To determine whether an invention could have been easily made from a prior invention when there is a great difference in function and effect, it is necessary to investigate whether the invention was actually used before the filing thereof. If not, then the circumstances under which it was invented must be investigated." (former Supreme Court (O) No. 251 of 1930; May 21, 1931; former Supreme Court (O) No. 449 of 1941; September 26, 1941).

(3) On the contrary, there is a case ruling that "there is no general legal principle leading to the conclusion that an invention with a great effect is unobvious when it was never used by others." (former

Supreme Court (O) No. 1,804 of 1938: July 18, 1939)

(4) The function and effect of an invention can be determined from various angles according to the nature of the difference between the invention and prior arts.

(Aggregation or combination) "If the substance of an invention is merely a combination of two prior inventions and its function and effect are not greater than the sum total of the two prior inventions, the former is a mere aggregation." (Tokyo High Court (Gyo Na) No. 43 of 1955; November 26, 1957)

(Substitution) "If it is well-known in the art that transistors function the same as vacuum tubes and the former are used in place of the latter, the manufacturer concerned should be able to substitute transistors for vacuum tubes with ease in radio receivers. Such effects as the elimination of cords, small size and little power consumption are natural consequences of the use of transistors and, therefore, are not special." (Tokyo High Court (Gyo Ke) No. 183 of 1966; March 30, 1973)

"When it is understood as an objective fact that an unintended effect, which is not disclosed in a cited prior publication, can be predicted in the light of the invention's constitution when applied for some other purpose, the new use should be regarded as having been

easily made unless the new use has a particular effect." (Tokyo High Court (Gyo Ke) Nos. 33-37 of 1969; April 15, 1971)

(Numerical limitation) "In an invention having numerical limitation, it must be proved patentable that the limitation is critical, that is, there is a marked difference in its function and effect between its use within the range and outside it." (Tokyo High Court (Gyo Ke) No. 87 of 1965; July 31, 1973)

(5) Furthermore, the nature of a difference in function and effect is considered. What is a difference in function and effect expressed in such terms as great, special, and remarkable? It seems to mean something that cannot be predicted easily from the existing technical level at the time of the filing.

"An invention that adds certain numerical limitations to the construction of a publicly known device cannot be regarded as an inventive technical idea unless the idea produces a high degree of effect that cannot be expected from the device in the light of the technical level of the manufacturer concerned." (Supreme Court (Gyo Tsu) No. 106 of 1966; May 2, 1968)

"The function and effect of this device are no better than a mere sum of the effects of its respective

components, which are well-known and whose effects could have been naturally predicted. Therefore, the function and effect of the device cannot be regarded as remarkable because the manufacturer concerned would have been able to predict them easily from the references cited." (Tokyo High Court (Gyo Ke) No. 90 of 1966; April 27, 1973. A similar case is found in Tokyo High Court (Gyo Ke) No. 7 of 1969; June 29, 1973.)

(6) It is generally understood that the function and effect of an invention are determined on the basis of descriptions in the original specifications. The descriptions of function and effect may be supplemented or amended to the extent that these amendments do not result in an alteration of the essence of the invention. However, there is this decision, on a suit for annulment of a Patent Office ruling. "No allegation of additional function and effect can be permitted before the court." (Tokyo High Court (Gyo Ke) No. 16 of 1973; October 2, 1975)

It is noteworthy that judgment on nonobviousness is based on the function and effect of an invention as claimed, and not on that of an embodiment. (Tokyo High Court (Gyo Ke) No. 123 of 1964; June 26, 1974)

4. Approach by Purpose and Technical Task

There are cases dealing with the approach by difference in purpose or technical task of inventions. This approach also seems reasonable because achieved result of the intended purpose of an invention may be regarded as the function and effect of the invention.

"In the invention concerned with a working machine that uses light metals with a specific gravity of less than three, such as Al, for the electrode thereof for generating discharge pressure, it cannot be considered that it could have been easily made, despite the fact that there were known examples of using Al electrodes for switch contacts or electrodes of discharge-working, because there is a difference in purpose between them." (Tokyo High Court (Gyo Ke) No. 97 of 1966; July 13, 1967)

5. Approach by Technical Difficulty

In addition to the difference in function and effect of an invention, there are many cases dealing with the technical difficulty involved. This approach seems to be worthy of notice.

(Function and effect and difficulty) "Since it is well-known that natural rubber can be improved by using carbon and natural rubber and synthetic rubber have similar physical and chemical properties, it is easy to

apply the known method of improvement to synthetic rubber. Since there is no difficulty involved in the application itself, although its effect is remarkable, no patent can be granted on it." (former Supreme Court (O) No. 1293 of 1930; June 24, 1931)

(Technical field and the possibility of substitution) "Ball-socket ball bearings and antifriction bearings belong to the same, comparatively narrow, technical field. Since it is a matter of course for the maker concerned to consider the possibility of mutual replacement of certain technical ideas in the manufacturing process, there is no difficulty involved in substitution, which can be easily conceived." (Tokyo High Court (Gyo Ke) No. 179 of 1968; June 20, 1972)

(Difficulty in combination and function and effect) "Since there is no claim nor proof that there was a technical difficulty to overcome in combining these components in this invention, it is considered that it could have been easily made by the maker concerned, unless the combination produces remarkable function and effect." (Tokyo High Court (Gyo Ke) No. 159 of 1966; April 16, 1974)

"Where it is not found that there was any technical obstacle making the use of high-frequency waves of more

than 30 MHz difficult, the alleged effect ..... is (one) naturally stemming from the combination of known components and does not go beyond the conceivable limits." (Tokyo High Court (Gyo Ke) No. 60 of 1969; June 28, 1973. Tokyo High Court (Gyo Na) No. 133 of 1963; July 20, 1973 is a similar case.)

(Difficulty in replacement) "In the invention of a method of coating an object with a layer of a thermoplastic material made of vinyl, the idea of using an extruding tube in place of a conventional tube made of a sheet of the same material does not require ability above technical common sense on the part of the maker concerned, and it cannot be considered that it involves a special technical difficulty. It is easy for the maker concerned to conceive of the invention." (Supreme Court (Gyo Tsu) No. 105 of 1963; February 15, 1968)

(Difficulty in numerical limitation) "In the case of a widely-known device for treating products with gas, the idea of setting certain numerical limits to the exhaust passage of the device should be considered as a matter of design choice by the manufacturer concerned in order to assure good efficiency in treatment by means of jet gas. Even if suitable numerical values are found for that purpose, it does not mean a change in the

basic structure of the device, resulting from a special idea, and it cannot be considered the kind of difficulty that cannot be overcome by one skilled in the art with repeated experiments." (Supreme Court (Gyo Tsu) No. 106 of 1966; May 2, 1968)

6. Approach by Commercial Success, Etc.

In the United States, such secondary considerations of nonobviousness as commercial success, long-felt but unsolved problems, others tried but failed, etc. are frequently taken into consideration in the decisions. In Japan, however, they are not yet supported by the judges. (Commercial success) (Tokyo High Court (Gyo Ke) No. 62 of 1966; April 15, 1970) Although it is often argued before the courts that an invention in question has been patented in various foreign countries, such an argument has never been accepted as proof of non-obviousness in Japan.

Attached Sheet

Name of Industrial Division "Catalyst"

Judgment of Inventive Step

1. In a case where the reaction for which a catalyst is used is neither identical nor similar, if a better effect is recognized as compared with the effect produced in the absence of the catalyst, the invention concerned is recognized as having "inventive step."

2. In a case where the composition of a catalyst is not similar, if the effect produced from the use of the catalyst is better than the effect produced in the absence of the catalyst, the invention concerned is recognized as having "inventive step."

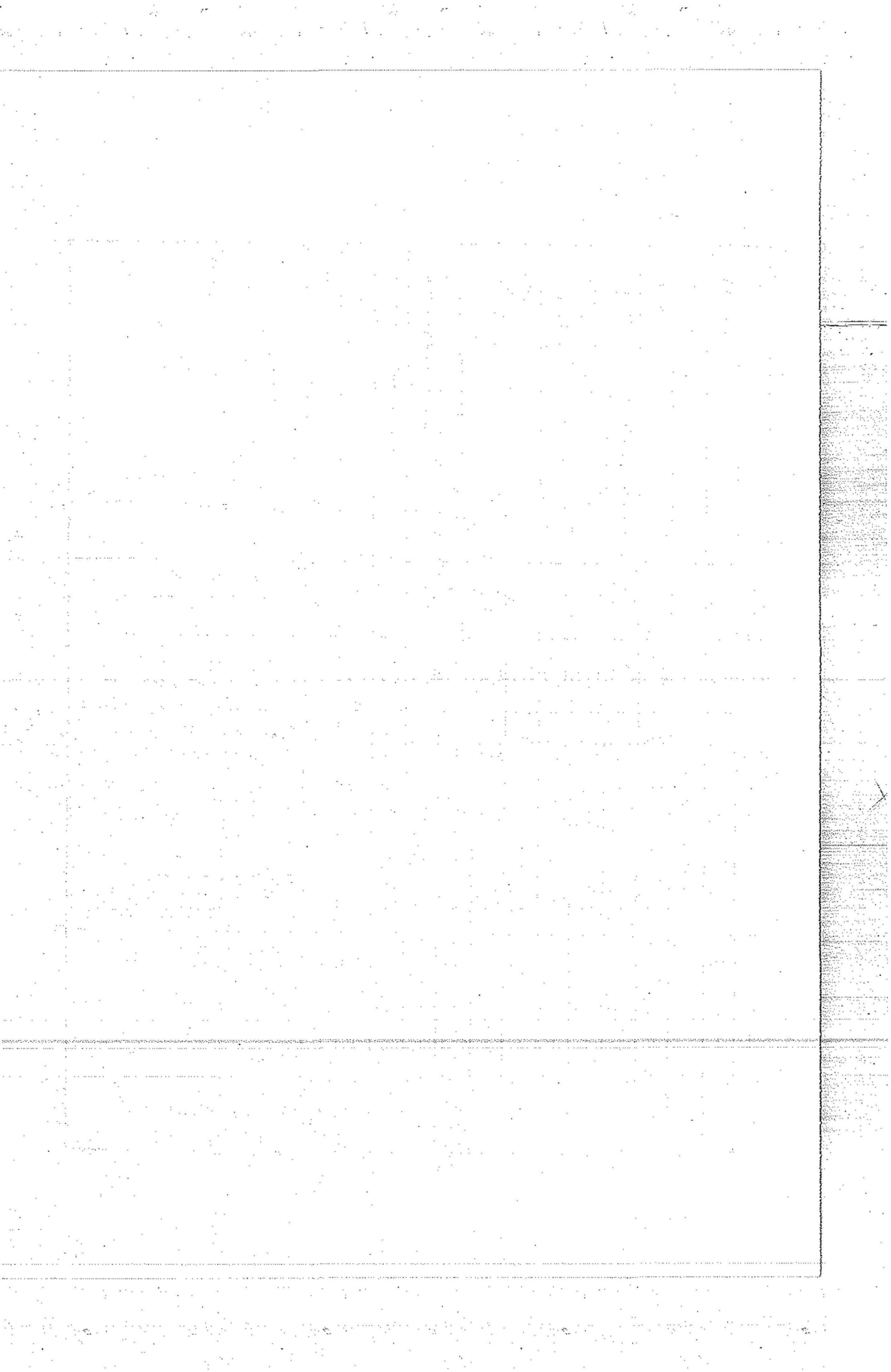
3. In a case where the reaction for which a catalyst is used is similar, unless a specific or unobvious effect of the catalyst is observed, the invention concerned is not recognized as having "inventive step."

4. In a case where the reaction for which a catalyst is used is identical, unless the catalyst produces a conspicuous effect, the invention concerned is judged as having no "inventive step."

5. In a case where there is a broadly described known catalyst, an invention of a catalyst whose component elements are other than those actually made public, though included in the scope of description, is recognized as an invention having "inventive step," if it shows specific catalytic effects.

6. In a case where an invention of a catalyst has materialized conditions so far considered impossible of realization, an invention of a catalyst made up exclusively of such elements as were perceived certain to achieve the desired effects if these elements could be realized, is judged as having no "inventive step."

Name of Industrial Division / Item for judgment of inventive step	Easily accomplished "aggregation of prior art"	Easily accomplished "conversion of prior art"	Easily accomplished "substituting of prior art"	Easily accomplished "change in the use of prior art"	Easily accomplished "change in shape, quantity and arrangement of prior art"	Easily accomplished "quantitative limit of prior art"	Easily accomplished "change in composition"	Easily accomplished "Invention based on analogy"
Resistor	○	—	○	○	—	—	—	—
Television	○	○	○	—	—	○	—	—
Electronic circuit	○	○	○	○	○	○	—	—
Semiconductor device	○	○	○	—	○	○	—	—
Measuring instruments in general	○	○	—	○	—	○	○	○
Automobile	○	○	○	○	○	—	—	—
Ship	○	○	○	○	○	○	—	—
Machine tools	○	○	○	○	—	—	—	—
Textile machines	○	○	○	○	○	○	—	—
Molding and processing of plastics	○	○	○	—	○	—	—	—
Glass	○	○	○	—	○	○	—	—
Catalyst	Attached Sheet							
Dry cell	○	○	○	○	○	○	—	—
Toy	○	○	○	○	—	—	—	—



CURRENT STATUS RE PROTECTION OF PROGRAMS IN THE U.S. AND EUROPE

By John R. Shipman

For the United States, I can sum up the current status of patenting of programs as slightly clearer than before, but still confused and uncertain, and with many inconsistencies in actions taken by different examiners in the Patent Office.

For the major countries of Europe, the current status of program patenting can be summed up also as slightly clearer but still uncertain and differing from country to country.

As to copyrights on programs, there appears to be general acceptance that programs are copyrightable. There is uncertainty as to what constitutes infringement.

With respect to other possible forms of program protection, there is nothing on the horizon that I have seen which looks promising.

Patenting of Programs in the United States

There are now a few court decisions relative to patenting of programs in the U.S. to which reference is frequently made. The decisions receiving the most attention are, of course, those of the U.S. Supreme Court in Gottschalk

vs. Benson (175 USPQ 673) in November 1972 and Dann vs. Johnston (189 USPQ 257) in March 1976.

The Benson case related to a method of programming a general purpose computer to convert signals from a binary coded decimal form into a pure binary form. After referring to discoveries of phenomena of nature, mental processes, and abstract intellectual concepts, the Court said: "If there is to be invention for such discovery, it must come from the applications of the law of nature to a new and useful end." This is sometimes referred to as the "end-use". The Court then said: "Transformation and reduction of an article to a different state or thing is the clue to the patentability of a process claim that does not include particular machines." Also "One may not patent an idea. But in practical effect that would be the result if the formula for converting binary code to pure binary were patented in this case. The mathematical formula involved here has no substantial practical application except in connection with a digital computer, which means if (patented), the patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself." The method was held not to be a patentable process.

The Johnston case related to a machine system for automatic record keeping of bank checks and deposits. The

claims were worded in terms of apparatus but the applicant also conceded the invention was being sold as a computer program. The lower court (CCPA) held the claims patentable and distinguished from the Benson decision as being directed toward apparatus rather than a method. There was an extraordinarily strong dissent in the lower court by Judge Rich who in effect said the invention was really in the mathematical method and the apparatus language was merely an easily penetrable disguise. In a disappointing decision, the Supreme Court avoided the question of how Benson might apply, if at all, to apparatus claims by simply holding the claims to be obvious.

Another decision of interest is In re Christenson (178 USPQ 35) decided by the CCPA in May 1973 in between the times of the Benson and Johnston cases. This case related to a method of determining the porosity of a subsurface formation. The court held that since a method of solving a mathematical equation was not patentable, the addition of old and necessary antecedent steps of establishing values for variables in the equation cannot convert an unpatentable method to patentable subject matter.

Two decisions on infringement questions are also of interest. They are Digitronics vs. N.Y. Racing Assoc. (187 USPQ 602) and Decca vs. United States (188 USPQ 167).

The Digitronics case decided in September 1975 by the District Court, Eastern District, N.Y., involved a charge of infringement of a patent on a system for processing data received from ticket issuing machines. One of the several defenses was the proposition that the apparatus claims could not be applied to a general purpose computer programmed to perform the same functions. The Court held that the Benson decision leads to the "conclusion that a combination of means claims comprising a machine system is not infringed by another machine system which does not as a permanent machine system include the same combination of means and which performs the function to which the potential combination is addressed only when its general purpose computer element is -- programmed -- for the patent is on a specific set of machine means."

The Decca case on infringement of a navigational process patent had as one defense that computer programs are not patentable under the Benson decision. The court held the patented system was for a combination of elements not for just a program and the programmed computer was only one element of a valid combination.

The foregoing cases have produced confusion and uncertainty in the U.S. Patent Office. When the Johnston case went to the Supreme Court, the Patent Office, hoping for a clean-cut decision on programming, placed all pending

program related cases on a "hold" basis, i.e., no action until after the decision. Since the Johnston decision, however, the Patent Office is acting only on those cases containing just method claims, taking the position that a method claim covering a program per se was unpatentable under Benson. However, "program related" applications with any apparatus claims are still under a "hold" instruction as Johnston did not clear up the situation relative to apparatus claims and the Patent Office is now hoping the CCPA will soon issue a clarifying decision on the In re Noll case. The latter case was heard before the Johnston case but held up waiting for the Supreme Court decision. Now Johnston has been decided but the CCPA has not yet decided on In re Noll. There are some who believe the Noll case has other elements which may again produce a decision which does not clarify the situation. Accordingly, the American Bar Association and the American Patent Law Association are being approached by some of their members to try to get the Patent Office to act.

Confusion arises from differing views as to what is a programming invention. There have been no directions or guidelines given to the examining staff of the Patent Office. This is primarily because of the difficulty of definition and the uncertainty in interpreting the decisions.

Accordingly, each examiner has been interpreting the decisions in his own way and making his own determination as to what is a program related invention. The Patent Office recognizes the inconsistent actions which have been taken by different examiners and has appointed one Group to coordinate the matter. It has not been very effective.

I believe the concensus of the current situation for the U.S. is as follows:

1. A method claim covering a program for manipulating data solely for data processing purposes will be rejected as unpatentable on the basis of the Benson decision.
2. An apparatus claim to a larger combination containing a computer as one element of the combination but in which the real novelty is strictly in the program will be rejected on Benson.
3. An apparatus claim having a programmed computer as an element of a larger combination might be patentable as a system if there is an end-use which relates to something which is not typically part of a data processing system, that is something other than a typical input/output device. Acceptable end-uses might be found in process control, graphic design, control of instrumentation,

radiation therapy, etc. On the other hand, some examiners have issued patents on what I believe to be non-end-use applications such as the seismic data processing area and even a few in the computer internal housekeeping area. These result from the absence of any controlling guidelines in the Patent Office.

Patenting of Programs in Europe

In France, Germany, Netherlands, Sweden and Switzerland there are decisions ruling against program patenting. In Italy there are no decisions on the point but in the U.K. there are decisions favorable to program patenting.

In France, in a Mobil Oil case, the Cour de Paris confirmed by the Cour de Cassation (Supreme Court) held that a computer aided process of pigment selection is not of industrial character and thus not patentable (Jurisprudence No. 107, III, pages 197 to 200).

In Germany, a Federal Supreme Court decision in June 1976 on a Siemans' application on appeal from the Federal Patent Court, attempts to clarify why programming is unpatentable and the conditions under which a program related case might be patentable. It is interesting not only for the position in Germany but because of its possible effect in interpreting the new European Patent Convention.

In this Siemans case, the Patent Office after opposition had allowed the application which covers a "method of determining changes in a multitude of primary and secondary magnitudes" (or file records) "by means of a programmed electronic data processing system." On appeal, the Federal Patent Court reversed the Patent Office and rejected the application. The present decision by the Federal Supreme Court affirms the rejection. The grounds of rejection were that the teaching claimed was "a purely organizational plan which as a mere instruction to the human intellect is not entitled to a technical character. ... The gist of the invention does not lie in the technical field; its actual discovery did not require any considerations of a technical nature."

The appeal pointed out that the claim is for apparatus and sets forth the structural features of a data processing system which are of a "technical nature". The decision states that "the claim contains an organizational and computing rule" which "can solve problems of an equal nature ... The fact that the patent claim formulates this arithmetic rule differently, i.e., in continuous association with the technical features of the system ... does not change anything ...: it is not the linguistic form which is decisive ... but its substantial content."

Other translated quotes from the Federal Supreme Court in the Siemans case may be helpful:

"a teaching is considered patentable when it relates to systematic action using controllable natural forces in order to arrive at a success which is predictable with respect to its cause"

"it is not enough that technical means may be used in the application of a non-technical teaching; rather the use of technical means must be part of the problem solution itself ... and it must not be absent unless the success aimed at would be absent too."

"Indeed, it appears unquestionable that the instruction how to handle a technical device ... can be of technical nature. In that sense many process inventions ... can almost be characterized as instructions for use without this classification affecting their patentability."

"... the computing rule seen per se is not technical and its novelty and inventive quality alone can therefore not be the reason for the patentability of the data processing system operated in accordance therewith."

Returning to other European countries, a Netherlands Patent Office Board of Appeal decision in a Western Electric case (IIC, 1971, No. 3, pages 308 - 314) held a programmed telephone connecting system not patentable as computer

programs are not of material nature and are therefor not patentable.

In Sweden the Supreme Administrative Court held the Benson case unpatentable (Modem Data Teknik, No. 3, March 11, 1974, page 13).

In Switzerland, the Federal Court (IIC, 1974, No. 4, pages 448-9) in the Cangailhem case ruled a computer program is not technical but a purely mental achievement without employing material forces.

In the U.K. a 1974 decision of the Patent Appeal Tribunal (R.P.C. 147) in a Burroughs case took a considerably different view in holding that computer programs which have the effect of controlling computers to operate in a particular way, where such programs are embodied in physical form, are patentable if the claim is clearly directed to a method involving the use of apparatus as modified by a program to operate in a new way. The case related to a method of transmitting data between a central computer and a slave computer.

While there is no court decision in Italy, the Italian Patent Office says it considers computer programs not patentable.

As to legislation, only France has a statute specifically excluding programs. Germany has adopted a law

corresponding to the European Patent Convention which excludes programs, the German law to become effective when the Convention comes into force.

Although the court decisions, except for the U.K., rule generally against patenting programs, there is a great discrepancy between actions of the individual examiners in the various patent offices just as in the U.S. It seems to me this results from (a) uncertainty of definition of a computer program, (b) the large variety of ways in which program oriented applications are presented, (c) the inexperience of the examiners in detecting the effect of the program, and (d) different individual interpretations.

To overcome these inconsistencies, some European Patent Offices are establishing guidelines. Thus the French guidelines require a "relation" between the machine or method of computation and an industrial result for patenting. The Netherlands guidelines say if the claim is essentially to a program it is unpatentable; if it distinguishes from another device by no other means than information, such as the contents or status of memory elements, it is unpatentable; if both hardware and software can be read on a claim, the scope is restricted to hardware only. The Swiss guidelines say programs for processing input data to give output data which depends on the input are unpatentable; programs for

operating the computer without solving a particular problem are patentable as is a computer so programmed.

Of course in a few years these countries will probably be bound by the European Convention. In the guidelines already prepared for the European Patent Office, it is stated:

> "A computer program may take various forms, e.g., an algorithm, a flow-chart or a series of coded instructions which can be recorded on a tape or other machine-readable record medium, and can be regarded as a particular case of either a mathematical method ... or a presentation of information ... If the contribution to the known art resides solely in a computer program then the subject matter is not patentable in whatever manner it may be presented in the claims. For example, a claim to a computer characterized by having the particular program stored in its memory or to a process for operating a computer under control of the program would be as objectionable as a claim to the program per se or the program when recorded on magnetic tape.
>
> Any presentation of information characterized solely by the content of the information is not patentable. This applies whether the claim is directed to the presentation of information per se (e.g., written instruc-

tions on how to operate a machine or use a chemical substance) or to an information carrier (e.g., a book, traffic sign or gramophone record). If, on the other hand, the manner of presentation of information has new technical features there could be patentable subject matter."

Copyrights on Programs

In the United States there has been no court decision on whether a computer program is copyrightable. The U.S. Copyright Office has been accepting programs for registration of copyright for several years although acknowledging that it is not clear that this is correct in the absence of legislation or court decision.

A new U.S. Copyright Law has just recently been passed. It does not refer to programs specifically but the legislative committee reports indicate that the new law is intended to apply to programs and that they believe the old law also permitted programs to be copyrighted. Over the past six or seven years, copyrights on programs have been asserted by several companies. To the best of my knowledge, such copyright has never been contested or challenged and every abuse of the copyright has been corrected when brought up by the owner.

While the copyrightability of a program seems to be generally accepted in the U.S., there is still considerable uncertainty as to what constitutes infringement. For example, is it infringement merely to read a program into a computer memory or must the program be copied in some more permanent media? The precise answer is not known. However, a national commission has been established to study new technological uses of copyrighted works. It is known as CONTU and it is hoped this commission can recommend appropriate legislation to clear up such problems.

In Europe copyrights on programs also seem to be generally accepted and no one has really challenged them.

Other Forms of Protection for Programs

A number of people and organizations have expressed the opinion that some other form of protection, greater than copyright but less than patents, should be available. However, only a very few have produced a concrete proposal and of these, I know of none (including the "Galbi" proposal produced by IBM) which seems to have any substantial support. I do know the question is still being considered.

Conclusions

Copyrights on computer programs seem to be generally accepted but it is uncertain what constitutes infringement.

Patenting of programs is gradually and very slowly becoming clarified. In my personal opinion, I expect most countries will conclude that programs per se are not patentable but a programmed computer which is one element of a larger structural system will be patentable. The areas in between will take much longer to be clarified but, I suspect, will permit patenting only when the program is quite closely tied to structure and where the gist of the invention is not in the program.

November 9, 1976
Committee No. 1
(Japanese Group)
Subcommittee No. 3

Chairman, Masuo Oiwa
(Mitsubishi Electric Corporation)

Vice Chairman, Shoji Nakajima
(Tanabe Seiyaku Co., Ltd.)

Vice Chairman, Hiroshi Kataoka
(Nippon Shinyaku Co., Ltd.)

LATE DECISIONS OF PATENT CASES IN JAPAN

Committee #1 Hiroshi Kataoka

This report is to introduce you the following decisions which were recently issued.

1. On the scope of hearing and determination in a patent litigation (Supreme Court)
2. On the identity of inventions (Supreme Court)
3. On "equivalents" in chemical inventions (Osaka District Court)
4. On exceptions to the novelty bar (Board of Trials, Patent Office)
5. On division of a patent application (Board of Trials, Patent Office)

It is hoped that the report will add something new and useful to the information which you already have on the Japanese Patent Laws and practice.

1. The decision rendered by Grand Bench of the Supreme Court (sitting as a full court) on the issue of the scope of hearing in a patent litigation. (Gyo Tsu, No. 28, 1967). As to the scope of hearing in a patent suit, there had been a famous decision of the Supreme Court (Gyo Tsu, No. 62, entered April 4, 1968 by the Ist Petit Bench of the Supreme Court). That judgement declared that in a suit for cancellation of a decision of the Patent Office Board, allegations and proofs relevant to the issue of reasons for invalidity of a registration are admissible even if they have not been made in the procedure before the Board of Trials of the Patent Office (hereinafter abbreviated as "Patent Office Board".) This decision, however, met with a great deal of disfavor, even one of the justices involved in the decision dissenting.

In the first-mentioned judgement entered on March 10 of this year, the Supreme Court sitting as a full court unamimously held as follows. Deciding that the previous decision of the 1st Petit Bench should be altered, the court declared that in a suit for cancellation of a Board decision, any cause of invalidity in reference to a known fact which has not been considered by the Board cannot be alleged as a reason (basis) for

the illegality or legality of the Board decision. The reasoning behind this new Supreme Court decision may be summarized as follows.

(a) The actions of the Patent Office Board are based on professionel and technical points of view and differ from general administrative dispositions. It is for this reason that a judicial system has been adopted such that the appropriateness of a Patent Office action may only be contested indirectly in the context of the appropriateness or inappropriateness of a decision of the Board.

(b) In view, for instance, of the fact that the offence and defense directed to a given cause of invalidity in a Board trial constitute the nucleus of the procedure and the effect of 'ne bis in dem' is imparted to the matters actually considered, only the matters relevant to the particular cause of invalidity actually contested, heard and decided by the Board should be the subjects of consideration in the court procedure. In any event, the weight of authority here, among those at the bench and bar and in the patent profession, subscribes to this new decision and seems to welcome this revesal of the previous ruling of the Supreme Court.

2. The Supreme Court decision on the identity of inventions (Gyo tsu, No. 29, 1967)

The Patent Office Board rejected the application in issue on the ground of identity with an earlier filed application. The High Court reversed the Board decision and the Supreme Court affirmed the High Court's reversal. Both copending applications were directed to the "Time Division Multiplexed Multistage Communication System". The relationship between the two applications was such that in respect of the transmission system, the claim of the later filed application included a greater number of embodiments than the first filed one, while as to the method of inserting a synchronizing signal, the claim of the first filed application recited a greater number of embodiments than did the later filed one. Thus, the coverages of the claims in these applications partially overlapped but otherwise differed somewhat from each other. Moreover, certain embodiments were shared in common by the two applications.

It had been a routine practice in the Patent Office that any two applications in such a relationship be considered to be "the same invention" and, accordingly, the later filed application be rejected. The application in issue was rejected by the Patent Office in accordance

with that practice but in the procedures before the High Court and the Supreme Court, this established Patent Office practice was overthrown. Thus, the Courts found that the two applications were directed to distinct inventions. The Court ruled that the later filed application which had dispensed with the limitations contained in the first application in the mode of transmission represented a technical concept distinct from the first application in terms of the construction of an invention and even if the two inventions overlap with each other in some embodiments, they should not be considered to be the same invention. The Court further ruled that the language of the law relating to the identity of inventions should not be construed as purporting to reject the later filed application on the ground of identity or sameness unless the embodiments shared by the first filed application are deleted.

The arguments in favor of this decision extoll the Court's correction of this anomality in the conventional Office practice, although there is also some criticism that the Court should have found a difference of this order between two inventions to be so negligible as to make them the same invention.

3. The decision of Osaka District Court relating to the "equivalents" in chemical inventions (Wa No. 5034, 1972)

The District Court found that inasmuch as the defendant's method of producing meclofenoxate hydrochloride could have been easily conceived and made based on the public knowledge available and the common knowledge possessed by one skilled in the art at the time of application even if it be admitted that the method had not been sufficiently described in the claim and text of the plaintiff's patent, it was reasonable to find that the invention had been already completed as an equivalent art by the time the inventor of the patented invention in issue had filed his application. Thus, as far as equivalents are concerned, if those skilled in the art could have easily conceived it, it should be considered, admitting the description does not go thus far, that a patented invention includes equivalent methods in its implicit teachings. Therefore, barring special circumstances which would make it reasonable to consider that the patentee had undertaken not to claim such an equivalent method, or to construe that any process utilizing such an equivalent method should be excluded from the scope of patent protection

sought, the particular equivalent method falls within the scope of patent protection and, the defendant's method, therefore, constitutes an infringement. While the foregoing is a gist of this decision, I may say that it is a noteworthy decision in that the scope of a claim in the chemical field was expanded by means of the doctrine of equivalents.

In the past, in the field of chemical patents, chemical substances as such were unpatentable under Article 32 of the old Patent Law and, accordingly, the courts have been busy hearing patent conflicts between applicants who independently developed processes. However, with the recent accelerated progress in chemistry, there had for some time been a criticism impeaching the inadequacy of patent protection conferred upon inventions of new compounds and a product patent system was finally introduced in January of this year. It is indeed very significant that at this time of transition there has been this milestone decision in favor of the position of process patent owners for new compounds. Incidentally, this decision has been taken up for pertinent comments by H. C. Wegner in IIC. Vol. 6, No. 1 (1975) at pages 81 to 86 and Journal of the Patent Office Society, Vol.

58, No. 1 at pages 60 to 65 (1976), where the author offers a comparative view of the decision in light of Metromidazole case (1975) relating to the German expansive interpretation of claims under the pre-1968 law and the American doctrine of equivalents since Graver Tank (1950).

4. The decision of the Patent Office Board relating to the statutory exceptions to the novelty bar (Board Decision No. 1138/1969)

Article 30 of the Japanese Patent Law provides that where a person who has a right to obtain a patent has disclosed the contents of his invention prior to filing an application, it should not be considered that the novelty of the application is destroyed by that disclosure if the application for patent be filed within six months from the date of disclosure. As to the question of whether patent gazettes fall within the category of 'publication' under Article 30, the Patent Office Board had been taking an affirmative view.

In the instant case, where the application was filed in Japan after about 3 months from the date of issuance of the U.S. patent, the applicant argues that

he was entitled to the grace period under Article 30 of the Patent Law. The argument was rejected in both the examination and trial procedures. Thus, the application was rejected over the very United States patent specification on which the petition was based.

The applicant's contention was that, inasmuch as the act of filing an application is a (manifest) representation by the applicant of his intention to permit 'disclosure', admitting that a U.S. patent specification is a 'publication' made by the United States Patent Office ex officio, that is to say on the basis of its public authority, it is equivalent to a disclosure made by the person having a right to obtain a patent on his own accord and that, therefore, he ought to enjoy the benefit of Article 30. The Board dismissed the applicant's argument on the following three grounds.

(a) A U.S. patent specification is such that it is issued by the United States Patent Office to establish the contents of a patent and to disclose it to the public at large and since the publication of a specification is the disadvantage which the patentee has to tolerate in exchange for the monopoly right accorded him, the issuance of an ordinary type of

publication which is not relevant to the conferment of a right and that of a patent specification cannot be viewed in the same frame of thought.

(b) Neigher the content of a patent specification nor the timing of its publication, in contrast to other general publication, is within the disretion of the party who has decided to make the art available to the public.

(c) Inasmuch as the applicant is entitled to file an application claiming a priority, there is no reasonable ground on which the exception to the novelty bar under Article 30 should be applied in superimposition to the same application. It is noteworthy that the above propositions represent a head-on collision with the Patent Office practice and Manual of Examination Procedure 10.38 A that had been in force. Essentially, the legislative intent that prompted the enactment of Article 30 of the Patent Law providing for disclosure in a publication as an exception to the novelty bar was apparently that the legislature intended to give special protection to an applicant who has disclosed an art in a form socially significant and proper. The Board properly differentiated the issuance of a patent specification from disclosures in general publications

and ruled that the issuance of a patent specification does not constitute a disclosure in a publication under Article 30. Many commentators have been giving blessings to this decision of the Patent Office Board.

5. The decision of the Patent Office Board relating to the division of a patent application (Board Decision No. 4435/1967)

Under Article 64 of the Patent law, a patent application cannot be amended after the decision to publish the application if the amendment expands or otherwise alters the claim. On the other hand, in connection with the division of a patent application, there is no substantive limitation except for a restriction as to the time element. Thus, under Article 44 of the Patent Law such an amendment must be made before the ruling for allowance or rejection or the trial judgement on the original application becomes final and conclusive. The Board ruled that since the divisional application in issue was filed after the decision to publish the original application and can be construed to have expanded the scope of protection over the claim of the original application, the divisional application cannot be considered to be

lawful in light of the provision of Article 64 of the Patent Law and, accordingly, the application cannot enjoy the benefit of the original filing date or the effect of claiming a priority. Thus, the Board declared that a division made after the decision to publish the application is not only limited to the matter within the scope of disclosure in the specification [and drawing] of the original application but also to the matter recited in the claim of the original application. The Patent Office Board thus clarified the limits of a divisional application for which there is no restrictive statutory provision through the constructive application of the spirit of Article 64 of the Patent Law which relates to amendments.

This decision is significant in that sense but the opinions of commentators are almost equally divided. Those who are dissatisfied with the Board's ruling says in effect that since Article 64 of the Patent Law relates to published applications and is not intended to regulate new applications, the Board's reliance on Article 64 lacks statutory support. On the other hand, those who subscribe to the decision state that inasmuch as there is a restriction on amendments that may be

made after the decision to publish an application and since a division may be regarded as a kind of amendment, a division after the decision to publish an application should be restricted. While I hear that the Examination Standards Group of the Patent Office is considering the appropriateness of this Board decision, it is hoped that after a careful appraisal they will reach a conclusion that would not lead to a strained interpretation of law.

Patent Protection for Plants

John B. Clark

The United States has a unique system for the protection of new varieties of plants. It differs from other systems in that it divides the world of plant life into two categories based upon the mode of plant reproduction. Each of these categories is covered by its own legislation, rules and government agency.

In 1930 the Plant Patent Act was passed by Congress to provide protection for one "who invents or discovers and asexually reproduces any distinct and new variety of plant." Tuber propagated plants and plants found in an uncultivated state are excluded. At the time of enactment, sexually reproduced plants lacked stability in breeding, and they were not included. The Plant Patent Act was incorporated into the existing patent system administered by the USPTO, and it now comprises Chapter 15 of Title 35 U.S.C. Conditions for patentability of plants under this act are as recited elsewhere in Title 35 and thus include the novelty and non-obviousness requirements.

In 1970 Congress passed the Plant Variety Protection Act as Chapter 57 of Title 7 of the U.S. Code. Although similar to the Patent Act of Title 35 in many respects, this

Act established the Plant Variety Protection Office in the Department of Agriculture, and it authorized the issuance of certificates of plant variety protection. These certificates run for a term of 17 years from the date of grant, although the Secretary of Agriculture may alter that term to 20 years from the date of application if the application has been pending for more than three years. Certificates can be obtained by the "breeder of any novel variety of sexually reproduced plant (other than fungi, bacteria, or first generation hybrids) who has so reproduced the variety". Certain specifically enumerated vegetables are expressly exempted from the Act. The Secretary of Agriculture has the right to require compulsory licensing of a protected variety at not less than a reasonable royalty.

Under Section 41 of this Act, a novel variety must satisfy conditions of distinctness, uniformity, and stability. A variety is distinct if it "clearly differs by one or more identifiable morphological, physiological, or other characteristics...from all prior varieties of public knowledge." A variety is uniform if "any variations are describable, predictable, and commercially acceptable." A variety is stable

if it, "when sexually reproduced or reconstituted, will remain unchanged with regard to its essential and distinctive characteristics with a reasonable degree of reliability."

The measure of protection provided to the owner of a patent is much greater than that provided to the owner of a certificate. This disparity of rights relates particularly to the major crop plants which feed our world today. The present laws are not believed to provide adequate protection for new varieties of sexually reproduced plants, and they cannot, therefor, encourage the major research efforts that are needed in the private sector.

Food shortages are already a way of life in many areas around the world. Coupled with an ever increasing world population, such shortages highlight the need for significant research efforts to increase agricultural productivity. One avenue along which these efforts must proceed is the design or development of new varieties of the major food crops such as the cereal grains and the legumes. Such varieties may produce more food per plant, or they may permit more plants per acre, or they may simply encourage the planting of more acres by making present cultural methods more economically feasible.

Under both the Patent Act and the Plant Variety Protection Act, the owner of a patent or a certificate has a remedy by civil action for infringement; however, Section 122 of the Plant Variety Protection Act says that liability is negated if "the asserted infringement was performed under an existing certificate adverse to that asserted and prior to notice of the infringement." This presents a major stumbling block. In order to clearly illustrate the nature of this problem, consider one of the more significant breakthroughs presently being sought by the plant scientists. They are looking for a new variety of wheat which will "fix" its own nitrogen. This new variety of wheat would differ from those we now know only in that one important feature, the ability to fix nitrogen. Assuming that the new variety has "uniformity" and "stability," the one difference from known varieties provides the "distinctness" needed to obtain the grant of a certificate of plant variety protection.

As soon as the owner of this certificate of protection begins to market the new wheat seeds, others in the field will use the plants in their own research programs. Retaining the one important feature of these new wheat plants, other scientists can use simple, well known methods to make a single

change in the color, or the leaf shape, or some similarly insignificant characteristic. Since such a simple change in a single characteristic meets the "distinctness" requirement of the Plant Variety Protection Act, new certificates can be obtained for each simple changed variety. Thereafter, the holder of these new certificates can market his wheat seed with that significant feature discovered by the holder of the original certificate. Although the holder of the original certificate is the only one who has made a discovery of an important new variety, the Plant Variety Protection Act precludes recovery of royalties or compensation for infringement from the holder of the new certificates.

There are several approaches which merit consideration as solutions for this problem, each of them naturally requiring amendatory legislation by Congress. Perhaps the simplest, but surely the most straightforward approach would be to abolish the Plant Variety Protection Act and add "sexually reproduced plants" to those presently covered by the Patent Act. In this fashion, the unusual defense of the Plant Variety Protection Act would no longer exist, while the "non-obvious" condition of the Patent Act would preclude the grant of protection for insignificant varietal changes. Another approach would be to amend the Plant Variety Protection Act to delete the unusual

defense and provide for two classes of certificates, one for major new varieties and the other for insignificant varietal changes. Holders of the lesser class of certificates would have specified restrictions placed upon their use. This would serve to provide a better economic stimulus for private research programs in this field since they permit a period of exclusivity or licensing corresponding to present patent rights. It is essential that we work to accomplish this end.

Protection for Well-known Trademarks in Japan

Presentation by
Goji Tasaki
(Mitsubishi Chemical
Industries Limited)
PIPA Japanese Group
Committee 1

I. Introduction

With respect to a well-known trademark, that is to say, a trademark widely recognized as an indication of a particular origin of goods among consumers, it is needless to say that it should receive satisfactory protection not only on a domestic basis but also on an international basis.

In this connection, there is Paris Convention Article 6.2 adopted at Hague Congress in 1925, which stipulates from view-point of prevention of unfair competition that each country of the Union undertakes to refuse or to cancel the registration and to prohibit the use of such a trademark that would constitute a reproduction, imitation or translation, liable to create confusion, of a mark considered by the competent authority of the country

of registration or use to be well-known in that country as used for identical or similar goods.

Notwithstanding the above undertaking, it seems that satisfactory protection has not yet been made on account of various interpretations of this stipulation by each country relating to the basis and the scope of protection. It seems to be difficult for one to defend internationally one's selling power, which has been built up with considerable expenses and great efforts, from being weakened by "free rides" or "dilution".

Since we sometimes hear that quite a few people abroad are interested in knowing how well-known trademarks are protected in Japan, I take this opportunity to discuss this matter in some detail.

II. Protection for well-known Trademarks in Japan

It is in these two or three decades that a substantial discussion on the problem of protection for well-known trademarks has arisen in Japan. Compared with Western countries, this seems rather late in coming, but now there are some appreciably important cases

which are as noteworthy as those in Western countries.

In Japan, well-known trademarks are entitled to various kinds of protection under various laws such as trademark law, unfair competition prevention law, criminal code and civil code in such manners as follows:

(1) Protection under Trademark Law

A) In the case of a registered trademark that is well-known, Article 64 stipulates that the owner of such trademark may, if it is apprehended that the use of such trademark by others on the goods other than the designated goods of the said trademark and the goods similar thereto would cause confusion, obtain a defensive mark registration on the goods dissimilar to the designated goods.

The requirements are broken down as follows:

a) Only a trademark right owner is entitled to apply for a defensive mark registration.

b) The registered trademark shall be a well-known trademark. It does not have to be made well-known by use of

the trademark owner, and the fact that it has become well-known by use of a licensee is equally competent. By the way, the registered trademark, unlike in England, is not necessarily a coined trademark in Japan.

c) The registered trademark shall be identical with the defensive mark. It is not allowed to register a mark similar thereto, but it is permissible to register a trademark which differs from the registered trademark only in the point of color. (Article 70, paragraph 1)

d) The use of a trademark identical with the registered trademark by others on the goods dissimilar to designated ones is likely to cause confusion of source of goods. In case that there are two or more designated goods, it is enough to cause confusion on only a part of goods.

The effect of the defensive mark registration is as follows:

a. Article 67

An act of using a registered defensive mark by any other person on the designated goods and a preparatory act of the use shall be deemed as an infringement on the relevant trademark right. But acts of use of the defensive mark on the goods similar to the designated goods, or acts of use of the mark similar thereto on the designated goods or on the goods similar thereto, do not constitute any infringement.

b. Article 50

As it has definitely been assumed that a defensive mark right owner has no will to use the registered defensive mark, a defensive mark is immune from cancellation for non-use.

B) It is possible to exclude a trademark registered by a third person as follows.

a. Article 4, paragraph 1, Item 10

In case of an unregistered trademark that is well-known, it is possible to prevent or prohibit an identical or similar trademark from getting registered by a third person.

"Those trademarks which have been widely recognized among consumers as indicating the goods related to the business of other person or those similar thereto, and which are to be used on said goods or goods similar thereto shall not be registered."

b) Article 4, paragraph 1, item 15

"Those trademarks apprehended to cause confusion with goods related to business of other person shall not be registered."

This item provides protection for a well-known trademark beyond the similarity of goods.

c) Articles 17 and 46

The above items 10 and 15 are available as reasons for an opposition or a trial hearing for invalidation that may be demanded.

In this connection, there is "NEW YORKER" case, in which protection for a well-known trademark was granted in accordance with the Old Trademark Law Article 2.1.(8)

corresponding to the current Article 4.1.(10) (decision of the Tokyo High Court, January 26, 1967).

In this case, Chrysler Corporation filed an opposition to an application for registration of the mark "NEW YORKER" with respect to bicycles, motorcars, etc. on the ground that it was confusingly similar to the Chrysler's well-known mark "NEW YORKER" on motorcars in Japan and this opposition was approved.

On the other hand, there are two similar cases, "ESSO" case and "SONY" case, in which the Patent Office ruled that the trademark on dissimilar goods was likely to cause confusion of source of goods, in the light of protection for well-known trademarks on the basis of Article 4.1.(15) or corresponding Old Trademark Law Article 2.1.(11).

The former "ESSO" case concerns an invalidation trial hearing of the registered trademark "ESSO" for textile, knitworks, felt and other cloths demanded by Esso Standard Oil Co.

on the ground that it was likely to cause confusion with Esso Standard's trademark "ESSO", and the Patent Office approved Esso Standard's plea and nullified the registration of the trademark "ESSO" on February 12, 1966.

The latter "SONY" case is also concerning a similar invalidation trial hearing of the registrated trademark "SONY" except for the designated goods of cookies, candy, etc. demanded by SONY Corp., and the Patent Office made its decision on October 20, 1965 approving SONY Corp.'s plea.

The trial decision of the latter says: Even though those goods involved are different, and moreover a sales route and a circulating market are also different, when dealers, consumers, and the public see and hear the goods bearing such a trademark of the defendant, we naturally consider that such goods has some relationship to SONY Corp. and in addition to this, confusion of source of goods arises in their mind because a trademark "SONY" is a very

well-known coined word as you may know well.

C) Article 32, concerning the right to use a trademark by virtue of prior use:

"Any person who has been using in Japan, prior to the filing of a trademark application of other person, such trademark or a trademark similar thereto on the goods related to the said application or goods similar thereto without any purpose of unfair competition shall, if in consequence of which such trademark is being widely recognized among consumers as the one indicating the goods related to his business actually at the time of application, have a right to use such trademark with respect to such goods in case he continuously uses such trademark with respect to the goods."

D) Articles 51 and 53, concerning sanctions against abuses of the trademark right:

Article 51

"In case a use of a trademark which is similar to the registered trademark

relevant to the designated goods or use of a registered trademark or a trademark similar thereto relevant to goods which are similar to the designated goods and which is to cause misleading on quality of goods or confusion with goods relevant to the business of others is committed will fully by a trademark right owner, any person may demand a trial hearing for cancellation of the trademark registration concerned."

Article 53

"In case a use of a registered trademark or a trademark similar thereto relevant to the designated goods or goods similar thereto and which is to cause misleading on quality of goods or confusion with goods relevant to business of other person is committed by a licensee, any person may demand a trial hearing for cancellation of the said trademark registration."

It is to be noted that in Art. 51 the above is conditioned on the trademark owner's intention whereas it is not conditioned

on a licensee's intention in Art. 53.

(2) Protection under Unfair Competition Law:

Article 1, Article 1 bis:

Art. 1:

Paragraph 1

"Any person who is likely to have its business interests injured by an act falling within one of the following items may demand the stop of such act.

1) In the event where there is an act of using, either in sameness or in similarity, the name, the trade name, the trademark, the receptacle or package of the merchandises of another person or any other indication showing the goods of another person which is widely known in the territory where the present Law is in force or of selling, putting in circulation or exporting the goods on which such same or similar indica- is used, by which act those goods are confused with the goods of another person.

2) In the event where there is an act of using, either in sameness or in similarity, the name, the trade name, the emblem of

others or any other indication showing the business of others which is widely known in the territory where the present Law is in force, by which act the business establishment or action is confused with that of others.

3) In the event where there is an act of either making a false indication of source on the goods or in the advertisement thereof or in such documents or correspondence of trade as are open to the public or of selling, putting in circulation or exporting the goods on which a false indication of source is made, by which act the public is misled as to the place of origin.

4) In the event where there is an act of either making a misleading indication of source on the goods or in the advertisement thereof or in such documents or correspondence of trade as are open to the public, by which act the public is misled to believe that the goods are produced manufactured or worked upon in a place other than the place of actual origin or

selling, putting in circulation or exporting the goods on which such a misleading indication of source is made.

5) In the event where there is an act of either making a misleading indication on the goods or in the advertisement thereof as to the quality, contents or quantity of the goods or of selling, putting in circulation or exporting the goods on which such a misleading indication is made.

6) In the event where there is an act of stating false facts prejudicial to the business fame of another enterprise being in competition or circulating such false stories."

Paragraph 2

"If the agent or representative or the person who used to be the agent or representative, of the person who is the proprietor of a trademark in one of the countries of Paris Convention, hereinafter referred to as "The countries of the Union", uses without such proprietor's consent the same or a similar trademark on the same or similar goods or sells, puts in circulation or exports the goods on which the same or a similar trademark is used the proprietor is entitled to demand the stop of such act of such a person excepting cases where the former agent or representative ceased to be the agent or representative within one year before the start of such act."

Art. 1 bis.:

Paragraph 1

"A person who has done on purpose or by fault an act falling within one of the items of paragraph 1 of article 1 shall be responsible for the losses suffered by the person whose business interests have been thereby injured."

Paragraph 2

"In the event where the agent or representative of a person who is the proprietor of a trademark or the person who used to be the agent or representative within one year before the start of the act in question has done on purpose or by fault the act falling within paragraph 2 of article 1 such an agent or representative shall be responsible for the losses suffered by the person who is the proprietor of a trademark and whose business interests have been thereby injured."

Paragraph 3

"The person who has injured others' business fame through his act falling within item (1) to (2) of paragraph 1 of article 1 or paragraph 2

of same article or the person who has done an act falling within item 6 of paragraph 1 of same article may be ordered by the court, upon demand of the injured party, to take measures necessary for recovering the business fame, either in place of or together with indemnities payable for the losses."

When a person's act which is likely to cause confusion with goods of another person may infringe on his business interests, the owner of a well-known trademark is able to stop the act invoking unfair competition act and to claim damages against the person of the act. A remedy by Unfair Competition Law is effective particularly when a well-known trademark is not registered yet, and an injunction is sought outside of the scope of a prohibitive right either of a registered well-known trademark or of a defensive mark registration.

With regard to the concept of confusion, an interpretation of confusion in a wide sense is now getting more powerful; it does not always necessitate the existence or presence

of actual competitive relationship, in that either goods or business are identical with or similar to each other.

As a typical precedent of this case, we can pick up "YASHIKA" case (decision of the Tokyo District Court, August 30, 1966). This is as follows:

The plaintiff, a well-known camera maker had used a well-known trademark "YASHIKA" on cameras, but one day, suddenly the defendant began to use the trademark "YASHIKA" on cosmetics. Then, the plaintiff invoked Article 1 paragraph 1 item 1 (confusion of goods) and item 2 (confusion of business) of Unfair Competition Law to seek an injunction on defendant to stop the use of "YASHIKA" on cosmetics. On the other hand, the defendant argued that cosmetics and cameras had no relationship to each other, and therefore there was no possibility of damaging business interests of the plaintiff. And moreover, the defendant traversed that it obtained registration for establishing an exclusive license relating to the registered trademark

"YASHIKA" owned by its representative in place of the defendant, and that the use was within the exercise of a right stipulated in Trademark Law and that it fell under Article 6 of Unfair Competition Law stipulating an exemption from the exercise of an industrial property right. The plaintiff refuted this traverse, asserting that the use of the present trademark was a free-ride on a well-known trademark and an abuse of right. The result was that the court approved this assertion of the plaintiff for the following reasons: a free-ride on a well-known trademark even in the case of non-competitive relationship gave people an impression that the goods must be a product of an associated company, that is to say, confusion in a wide sense arose. Also, the court recognized dilution being likely to infringe on business interests and concluded that such use did not fall under Unfair Competition Law, Article 6 and truly was ascribed to an abuse of right since it objectively meant that the defendant gratuitously used credit or selling power of the well-known trademark regardless of existence

or non-existence of a clear intention of a free-ride.

Art. 6:

"The provisions of item 1 and item 2 of paragraph 1 of article 1, paragraph 2 of article 1, article 1 bis, paragraph 1 to 3 of article 4, article 4 bis and item 2 of article 5 shall not apply to the act which is recognizable as the exercise of a right by virtue of the Patent Law, Utility Model Law, Industrial Design Law or Trademark Law."

(3) Protection under other laws

A) The Civil Code, Article 709 (a claim for damages under illegal act)

This is not so effective because a burden of proof of intention or negligence lies with the plaintiff, and furthermore proof of causal relationship between an act of injury and the occurrence of damages is very difficult.

B) The Criminal Code, Article 233 (sins of damaging person's credit and sins of interfering with the business of another person)

As "free-ride" is considered as an act that damages a person's credit by deceptive schemes, it belongs to the former of the above Article 233, and meanwhile, it belongs to the latter in case that it causes to occur interference with the business of another person.

As I mentioned above, although Japan has worked a defensive mark system into its Trademark Law, and thereby has extended protection of well-known trademark, there are some difficulties as follows:
One is that it is necessary to demonstrate the fact of "a well-known trademark" when one files the application, another difficulty being that one has to file covering the whole range of dissimilar goods, and yet a scope of right of prohibition is narrow, etc.

In principle, Unfair Competition Law is not so powerful and effective as Trademark Law in that the former can not strike out weeknesses of the registration principle

on the one hand and that it makes protection for the owner of a well-known trademark very difficult because of the difficulty in the burden of proof.

Apart from the above, with reference to an extended application of the theory of illegal act in the Civil Code, we also need to expect hereafter sufficient theories and cases, etc. Accordingly, we consider that at present, protection of well-known trademark finally depend on working sufficient use of the defensive trademark system and Unfair Competition Law.

264 companies, that is to say, about 80 percent of 334 leading companies in Japan hope that protection for a well-known trademark should be strengthened, according to the result of a questionnaire relating to the reform of the Trademark System conducted by the Japan Patent Association in October, 1974. Now, the Patent Office is studying ways and means for strengthening the protection for a well-known trademark in Japan.

III. About registration of a well-known foreign trademark by a third party

(1) Paris Convention, Article 6.2 is an undertaking relating to the protection of well-known trademarks, in which each member country undertakes to protect well-known foreign trademarks from undue registration and use by a third party in each country adopting the registration principle, especially. But this undertaking does not afford sufficiently satisfactory protection for well-known trademarks because of the following two reasons: Firstly, it does not control such a case in which a well-known trademark is used on dissimilar goods by a third party. Secondly, a well-known trademark has to be widely recognized among consumers in the countries where one seeks protection. In reality, as you may know well, there is ceaseless occurrences of unfair acts on well-known trademarks made by a third person in each country, particularly in those countries that have adopted the registration principle and in which good many enterprises are worried trying to defend them against third parties' attempts to take advantage of them. Although the best

way for eliminating such distresses is to obtain registration of one's well-known trademark earlier all over the would, in fact, it is obviously practically impossible. With respect to registration without authorization of the proprietor of a mark by an agent or a distributor (Article 6.7, Paris Convention), the proprietor should demand that such registration be assigned in his favor asserting that he is the legitimate owner of the trademark. Also, in case that uncontrollable circumstances necessitate the proprietor to make an agent register the proprietor's trademark in the name of an agent, the proprietor ought to define that an agent will assign the registration of the trademark in his favor when a contract expires. Now, let me discuss some of the remedial measures conceivable in case a third party file or register an application of a well-known foreign trademark in Japan.

(2) As mentioned above, well-known trademarks have not yet been satisfactorily protected; however, the protection beyond what Rules of Article 6.2 Paris Convention warrants is at present practiced

in Japan. The registration by a third party of a well-known foreign trademark in respect of dissimilar goods may be either refused or nullified if the trademark in question has been made well-known in Japan as I stated before even through advertisement, if not by an actual sale of the goods bearing the trademark. Therefore, when a trademark is well-known in Japan, one is able to depend on opposition or trial hearing for invalidation. In this case, if one invokes either the above Article 4.1.(10) or (15) of Trademark Law, one ought to note that a trial hearing for invalidation cannot be demanded after a five-year period of exclusion from the date of registration is over. (Article 47)

But, in case that it is registered with intent of unfair competition, one is able to demand a trial for invalidation at any time.

However, the problem occurs when a well-known foreign trademark has been already registered by a third party before it becomes well-known in Japan. In this case, it is almost impossible to get registration itself invalidated by legal

means except cancellation for non-use, because, in Japan, the registration principle governs. Accordingly, the following measures, for example, will have to be taken to solve this sort of problem: Firstly, to start negotiation with the third party through the medium of a suitable law office. Secondly, to ask "the Chamber of Commerce and Industry" or "those in the trade" to negotiate with him. Thirdly, to ask some other third party who can put pressures on the third party in question to negotiate. Fourthly, to make an offer through diplomatic route of governmental organization, etc. In any event, the party involved should select the best method among those depending on the kind and nature of actual situations and circumstances.

(3) In the event that the third party who has filed or had registered a well-known foreign trademark begins to use it, as I mentioned above, one is able to take remedial measures on the basis of Unfair Competition Law or through negotiations. Of course, when the third party has not used his registered trademark for three years, Trial for cancellation of trademark registration may be demanded:

(4) Finally, as far as the present Trademark Law is based on the principle of territoriality,

one ought to file a trademark in Japan in one's own name earlier than the time when a trouble has taken place. But, unfortunately, in the even that a trouble occurs, one should severely or softly cope with it either by means of legal procedure or by some measures other than such legal means.

IV. At the conclusion of my presentation

As I mentioned, well-known trademarks in Japan have been protected primarily either by Trademark Law or Unfair Competition Prevention Law; however, the protection is not satisfactory yet, so, we will have to expect further progress in this sector of legal system in the future. The enterprises that have such well-known trademarks ought to understand the present situations well, and to take utmost care in guarding well-known trademarks against getting "free-ridden". And moreover, with reference to the protection in foreign countries, one ought to make further efforts to communicate closely with one's agents on the spot, to obtain necessary information, and also to study up-to-date legal systems and case laws of each country, in order to establish and maintain trademark rights.

CURRENT DEVELOPMENTS IN UNITED STATES TRADEMARK LAW

By William J. Keating
AMP Incorporated

In American slang a "lemon" is something unpleasant. The year 1976 may be referred to as the year of the lemon in trademark law.

The first lemon occurred in the celebrated "Lemon Tree" case. The question arose as to the interpretation of section 44 of the Trademark Act. The plaintiff began use of the trademark "Lemon Tree" in May of 1969. The defendant had filed an application in Canada in March 28, 1969 and filed a U. S. application. The mark was not used in commerce in the United States. The defendant relied on the March 1969 filing date as basis for registration in United States, effective as of that date. The Trademark Trial & Appeal Board ruled that the Canadian applicant was entitled to the earlier date without actual use in the United States. (1)

The District Court for the District of Columbia reversed (2). It held that section 44 of the Trademark Act only applied to procedural matters. The requirement to use the trademark was a matter of substance and therefore refused registration on the basis of section 2 (d) of the Trademark Act which prohibits registration of a mark previously used in the United States by another party.

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(1) John Lecroy & Sons Inc. v. Langis Food Ltd. 177 USPQ 717

(2) id. 182 USPQ 132

The Court of Appeals reversed the District Court (3) and properly gave section 44 the interpretation that was intended by Congress. Noting that Article 4 of the Paris Union Treaty was revised in 1934 so that intervening use by other parties that occurred during the priority period would not defeat registration. Accordingly, section 44 of the Trademark Act merely implements this provision.

The importance of the case is that it got a lot of attention because the District Court decision was obviously wrong. It focused attention on the rights of a foreign applicant for U. S. registration who had not actually used the mark in the U. S. This is the crucial issue in United States' ability to participate in the Trademark Registration Treaty. In order to ratify the treaty U. S. will have to amend its trademark law to permit registration without dependency on actual use. My associates who specialize in trademark law predict that U. S. will amend its law and will ratify the treaty even though the U. S. Trademark Association recommends against it.

The next case of some interest involves another lemon — the trademark "ReaLemon" for reconstituted lemon juice. Action was brought by the Federal Trade Commission (4) under Section 5 of the Federal Trade Act (5) which prohibits acts of unfair competition.

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(3) SCM Corp. v. Langis Food Ltd. 190 USPQ 288 (sub. nom. John Lecroy & Sons Inc. v. Langis Food Ltd.)

(4) In re Borden, Inc. Docket No. 8987, 8/19/76 reported in the Patent, Trademark, Copyright Journal, (number 294), September 9, 1976, pg. A-1.

(5) 15 USC 45 (1971)

The FTC judge found that reconstituted lemon juice is a relevant market and does not compete with fresh lemon juice. This was the basis of a holding that the trademark proprietor, Borden Incorporated, was a monopolist with a 75% to 90% share of the relevant market. (6) The judge went on to find that Borden Incorporated controlled the relevant market through unreasonable price cutting and promotion programs. The actions were considered unreasonable because Borden Incorporated had monopoly power and could control or prevent entry of new competitors into the market.

The FTC ordered the extraordinary relief of requiring Borden Incorporated to license its trademark "ReaLemon" to anyone requesting a license for the next ten years. Borden Incorporated may impose a 0.5% royalty to cover administrative costs and require reasonable quality control.

The decision is not final and is subject to appeal. This approach of requiring a trademark owner to license a trademark basically because the trademark owner is successful is a very bad precedent. It destroys the basic function of the trademark in identifying source. It promotes consumer confusion. It denotes the ability of the trademark proprietor to control quality. It is a real lemon!

Another decision that has attracted attention in the trademark community is the "Bigfoot" trademark for snow tires. (7)

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(6) supra #4

(7) Big O Tire Dealers Inc. v. The Goodyear Tire and Rubber Co., 189 USPQ 17 (1976)

The trademark proprietor was a small company named "Big O", with sales in a limited geographical area mostly in the western part of the United States. They used the trademark "Bigfoot" for tires but did not register it. The defendant, Goodyear Tire and Rubber Company, is one of the largest tire manufacturers in the world. They previously registered the trademark, "Bigfoot" for snowmobile track belts (8). Unaware of the plantiff's trademark, Goodyear launched a ten million dollar advertising campaign for snow tires marketed under the trademark "Bigfoot" (9). Just before the campaign was to be released Goodyear learned of the Big O's trademark. Goodyear requested permission to go ahead with the campaign and Big O refused (10). Goodyear went ahead with the campaign anyway and Big O brought suit.

The case was tried by a jury who decided for the Big O Company. The jury awarded the plaintiff $2,800,000 for actual damages sustained. Additionally they awarded Big O $16,800,000 in damages to punish Goodyear for willful trademark infringement, for a total of $19,600,000.

The size of the award has caused the case to receive much publicity. The Big O Company's total assets were only $200,000. The theory of awarding damages is also of interest.

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(8) id. no. 7, pg. 28

(9) id. no. 8

(10) id. no. 7 pgs. 25, 26

The court found that the massive advertising campaign by the defendant caused the purchasing public to believe that the defendant had superior trademark rights and the plaintiff was an infringer. The court justified part of the award of damages on the basis that significant expenses by the Big O Company will be required in overcoming the bad effect of Goodyear's massive advertising campaign. Big O was entitled to this amount even though there was no duty that they spend the money for this purpose.

The punitive damage award was based on the total size of the Goodyear Company. The only way to punish the defendant was by a substantial award of damages.

The case is currently on appeal. The Goodyear Company thinks that the decision is a lemon. The Big O Company thinks the decision is a peach.

Another case that was decided badly involved the "Eveready" trademark for flashlight lamps. The trademark was registered in 1907 by the Union Carbide Company. The defendant adopted the trademark "Eveready" for high intensity lamps. The court held that there was no infringement and that the trademark was invalid because it was descriptive (11). The Court of Appeals reversed (12), which surprised no one, except perhaps the lower court judge. The importance of the Court of Appeals decision is that the court gave great strength to the quality of incontestability.

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(11) Union Carbide Corp. v. Ever-Ready Inc. et al
185 USPQ 464

(12) id. 188 USPQ 623

This is what Congress intended when the statute was enacted. Hopefully courts will continue to give the incontestable effect that the statute confers on elderly trademarks.

I believe the effect of these cases is to strengthen the trademark system. There is a motto in the United States that says:

"If you get a lemon - make it into lemonade".

Short Review on Deposit of Microorganisms in Patent Procedure concerning Inventions Using Microorganisms

Koichi Ono

There are many countries where a deposit of microorganisms is required for patent procedures concerning inventions using microorganisms. Such country includes, for example, U.S.A., West Germany, the Netherlands, Japan, etc. Each country has its own practice as to the conditions to be fulfilled in depositing microorganisms. Thus, applicants for a patent on such inventions have been confronted with many difficulties.

Efforts have been made by the World Intellectual Property Organization (WIPO) to conclude a treaty in order to internationally standardize and simplify the deposit of microorganisms for the purpose of patent procedures. The draft Treaty and the draft Regulations prepared as the result of the Committee of Experts on the Deposit of Microorganisms for the Purpose of Patent Procedure of WIPO held in Geneva in April 1976 will be examined at the Diplomatic Conference in April 1977 in Budapest.

Briefly stated, the Treaty purports that when a deposit of microorganisms is made to an internationally

recognized repository, any country that is a party to the Treaty (contracting country) recognizes the deposit as effective for the patent procedure in the country. As regards the conditions of the deposit, preservation and release of microorganisms, the details are provided for in the draft Regulations, but some conditions are left to the internal laws of the contracting countries.

This presentation is to report on some problems concerning the draft Treaty. Before I touch upon the main issue, I like to review the deposit of microorganisms in patent procedures.

As far as I know, the U.S.A. was the first country that initiated the system of deposit of microorganisms in connection with patent procedures. The reason therefor is understood to be as follows. When those having an ordinary skill in the art read a specification disclosing an invention which involves the use of a microorganism and try to reproduce the invention, the first problem for them is how to obtain the microorganism. If the specification does not describe a way of obtaining the microorganism readily and with certainty, the specification is not deemed to describe the invention in a sufficient manner so that those having an ordinary skill in the art can readily reproduce or use the invention. Accordingly, the specification does not meet the requirement provided by 35 U.S.C. 112.

Thus, a person who files a U.S. application for a patent on an invention using a microorganism deposits the microorganism with a public repository prior to the filing of the application and arranges so that a subculture of the microorganism be released by the repository to any person who seeks to obtain one. Then, he describes the name of the repository and the deposit number in the U.S. specification. In this manner, those having ordinary skill in the art who read the specification are enabled to readily obtain the microorganism and thus practice the invention.

The American Type Culture Collection (ATCC) and the ARS Culture Collection, Northern Regional Research Laboratory (NRRL) are examples of such repository. Briefly explaining the deposit of a patent culture with the ATCC, the ATCC maintains the deposited culture in accordance with the payment of annual maintenance fees by the depositor until pertinent U.S. patent issues. After the issuance of the U.S. patent, the microorganism is transferred to the general collection of the ATCC and is preserved free of charge at least during the effective life of the U.S. patent.

Any applicant for release can, subject to payment of the required fees, freely obtain a subculture of the microorganism from the ATCC. It is to be understood that after the issuance of the pertinent U.S. patent, the depositor can no

longer control the deposited microorganisms. In other words, after the issuance of the pertinent U.S. patent, the deposited microorganism becomes the property of the ATCC but no longer that of the depositor.

In Japan, the system of depositing microorganisms started in April 1966. Article 27 bis. of Regulations concerning the Enforcement of the Patent Law, as amended January 1971, provides:

> "Any person who wishes to file an application for patent on an invention in which a microorganism is utilized, unless persons of ordinary skill in the art to which the invention pertains have ready access to the same microorganism, shall attach to the application documents a document certifying that the particular microorganism has been deposited in the custody of an institute which shall be designated by Director-General of the Patent Office."

The reason on which the system of depositing microorganisms is predicated in Japan is different from that in U.S.A. More specifically, in the U.S.A. the requirement of the deposit of microorganisms is for the purpose of completeness of the disclosure of the invention, whereas in Japan the deposit of microorganisms is required as proof that the invention has been really completed. Where the deposit of microorganisms is not made, the invention is not deemed to be completed and, therefore, the pertinent application for Japanese patent is rejected as failing to comply with the provision of Article 29 of the Patent Law. Article 29 reads:

"Any person who has made an invention which is industrially applicable may obtain a patent therefor, except in the case of the following invention: ....."

This part of Article 29 may be deemed to correspond to Section 101 in the case of 35 U.S.C. The "institute which shall be designated by Director-General of the Patent Office" referred to in the above-mentioned Article 27 bis. of Regulations concerning the Enforcement of the Patent Law is, at present, the Fermentation Research Institute, Agency of Industrial Science and Technology (FERM) only.

The deposit and the release of microorganisms in FERM are outlined as follows. A depositor of a microorganism pays the fees annually to FERM. The payment of the fees is made every year and any advance payment of the fees for more than one calendar year is not accepted by FERM. FERM maintains the deposited microorganism as long as the fees are paid. These fees can be paid only by the depositor. After the expiration of the pertinent patent, FERM may continue to maintain the microorganism provided that the fees continue to be paid by the depositor. The time at which the release should be started, depends also on the depositor. Under the present practice of the Japanese Patent Office, the release may be made as late as the time of the publication upon examination of the application. Furthermore, the depositor can limit the receivers of the microorganism to those having their residence in Japan. Those who wish to have access

to a culture of the deposited microorganism must submit a declaration expressly stating by whom, for what purpose, where and how long the released microorganism is used. Usually, such purpose is for academic research and the period is one year or so. It is strictly prohibited to transmit the released microorganism to any third party. After being used, the released microorganism must be destroyed by burning.

As can be understood from the foregoing, in Japan, the system of depositing microorganisms is based on the view that the deposited microorganism is always the property of the depositor. The depositor can discontinue the deposit whenever he desires so by non-payment of the fee and can formally impose various restrictions as to the disposition of the released microorganism. This is considered to result from the fact that the system of deposit of microorganisms in Japan is, as mentioned above, grounded on the view that deposit of microorganisms is required only as proof that the invention has been completed rather than for the purpose of completeness of disclosure of the invention.

Now, I like to discuss the main issue. The items which were critically reviewed by Japanese enterprises in the course of their sudy of the draft Treaty and the draft Regulations of WIPO, are as follows: 1) when should a release of the deposited microorganisms be made, and 2) how long should the deposited

microorganisms be maintained.

With regard to the time of release, the draft Regulations have been interpreted to the effect that the time of release is, in principle, the first publication of the pertinent application, however, where the laws of the contracting countries provide otherwise, such internal laws may be followed. This means that if the Japanese law provides that the release shall be effected from the time of the second publication of the pertinent application (publication upon examination), and not from the time of the first publication (publication without examination), a release after the second publication may be all right. As is already mentioned, under the present Japanese practice, the release may be made from the time of the publication upon examination. Many Japanese enterprises being active in this field wish that such practice will be continued hereafter. However, there has been some question whether this practice would comply with the requirements of Japanese law. At least, at present, there is no statute nor any court decision allowing that the release be made only from the time of publication upon examination of the pertinent application.

On the other hand, there are some who have an opinion that, as a more fundamental question, the release should be effected from the publication without examination of the pertinent application. This opinion is based on the view that the

deposit of microorganisms is required for the purpose of disclosure of the invention rather than as a proof that the invention has been completed. When it is considered that in the case of an application on other kinds of invention, those having an ordinary skill in the art who have read the specification as published without examination could readily practice the invention, it is not only against the spirit of the publication system but also inequitable that an invention using microorganisms is not reproducible after the publication without examination. The problem of the time of release of the deposited microorganisms will cause further argument for the time being.

The next problem is how long the deposited microorganisms should be preserved. The draft Regulations of WIPO provides:

> "..... any microorganism deposited with an internationally recognized depository authority shall be stored by such authority ..... in any case, for a period of at least 30 years after the date of the deposit. (Rule 11.1)

Comments were made by majority that preservation of the deposited microorganisms for "at least 30 years" is unnecessarily long. Such comments are grounded not only on the apprehension that the preservation for at least 30 years must result in an increase in the maintenance fees but also on the view that there is no reason that the microorganism should be preserved after the expiration of the pertinent patent. Under the present Japanese practice, the deposit can be terminated

at any time, even after the publication upon examination of the application, by non-payment of the maintenance fees, although many people are of the opinion that the termination of the deposit would render the pertinent patent to be invalid. Accordingly, unless there is any particular reason, the payment of the maintenance fees may well be discontinued by a Japanese depositor, that is, the deposit is likely to be terminated at the time of expiration of the Japanese patent. In this case, a Japanese depositor would merely adopt the practice that since the deposit of microorganisms is required, in principle, as a proof that the invention has been completed, it is not necessary to preserve the microorganism after the expiration of the pertinent patent, much less to continue the deposit by the expense of the depositor (patentee).

Where a microorganism is deposited with the ATCC in connection with a U.S. application, it is only during the effective life of the pertinent U.S. patent that the maintenance of the microorganism is guaranteed and after that, the ATCC is free to dispose of the microorganism.

In view of these facts, a criticism has been made against the provisions of the draft Regulations.

On the other hand, there are a few who have a different opinion. That is, when a patent expires, the invention should naturally be a public domain. If the deposited microorganisms

no longer exist upon expiration of the patent, those who wish to reproduce the pertinent invention can not readily obtain the microorganisms. Therefore, the invention can not completely become part of the public domain. If this view is carried to its logical conclusion, the microorganisms would have to be preserved forever. However, the provision in the draft Regulations is reasonable in the sense that the deposit of microorganisms is to be continued for a reasonable period of time which would demonstrate a lack of interest on the part of the public in the invention.

The above-mentioned two different opinions are considered to be the result of the fundamentally different views that the deposit of microorganisms is required as a proof that the invention has been completed, on the one hand, or for the purpose of completion of the disclosure of the invention, on the other. In this connection, under the recent patent practice in West Germany, microorganisms are required to be maintained for a considerable period of time after the expiration of the patent.

Further, I like to point out another problem in the present Japanese system of depositing microorganisms. Under the Japanese patent practice, it is not necessary to make a deposit of microorganisms if the microorganisms are easily obtainable, but what microorganisms are easily obtainable? Those which are commercially available such as baker's yeasts are considered to

be easily obtainable. According to the practice in the Patent Office, microorganisms which are deposited with a reliable repository, appear in a catalog and are freely available to the public, are deemed to be easily obtainable. For example, those maintained in the general collection of the ATCC and cited in the ATCC catalog should be mentioned as being deemed "freely available". However, even if such a microorganism is easily obtainable at the time of filing an application for the pertinent patent, the permanent availability of the microorganism is not guaranteed. Patent cultures deposited with the ATCC are maintained during the effective life of the pertinent U.S. patent. If a person having had access to such microorganism files an application for patent in Japan on a separate invention using said microorganism, it is not guaranteed that the microorganism is maintained by the ATCC during the life of the Japanese patent which will issue on the application. In the case of patent cultures deposited with FERM, the deposited microorganisms cease to exist with the discontinuance of the payment of the maintenance fees by the depositor. It is less probable that the depositor continues to pay the maintenance fees after the expiration of the pertinent patent issued to him. Therefore, it may happen regarding the second patent on a separate invention using the same microorganism that the microorganism no longer is easily obtainable prior to the expiration of the patent or in the

extreme case on the day the application is filed. Of course, if the applicant of the second application is the patentee of the first patent, he may maintain the deposit of the microorganism after the expiration of the first patent. However, if the applicant of the second application is not the patentee of the first patent, how can he assure the availability of the microorganism? This is a problem of great importance.

It might then be considered by the second applicant to make a second deposit of the same microorganism. However, FERM is rumored to refuse to accept the same microorganism in duplicate. Even if FERM does not refuse, since the person wishing to make a re-deposit, that is, the one who had access to the deposited microorganism, is restricted in the use of the microorganism to academic research, he is not permitted to make the re-deposit which is out of the scope he is authorized to do.

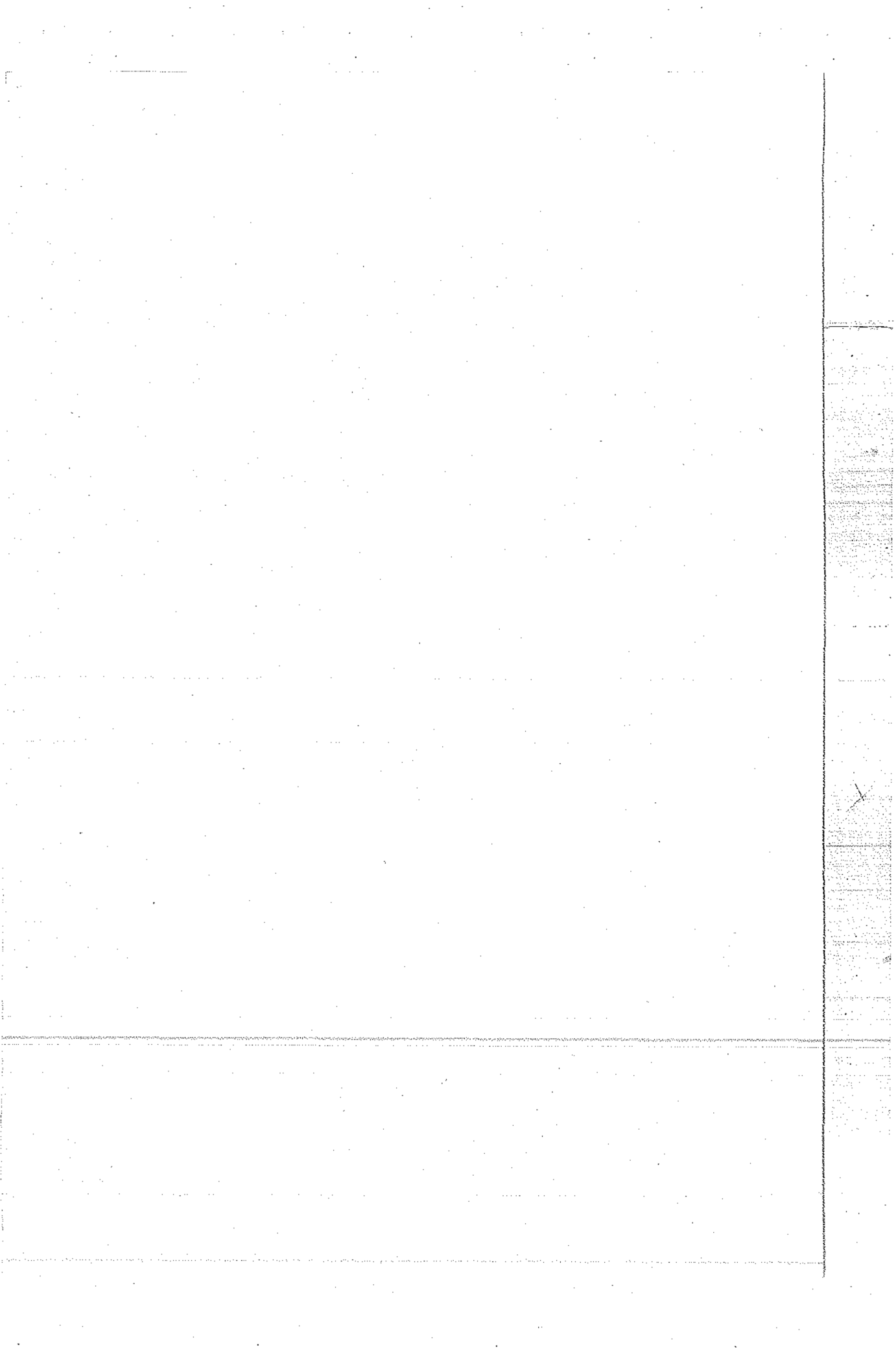
No solution is provided in the draft Regulations regarding such problem. This is one of the problems to be solved in the future.

Committee Presentations
(Committee #2)

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° The Impact on International Licensing that the Developing Nations are having, both through Changes in the National Laws and through Concerted Action in Various International Organizations such as the United Nations.
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November 11, 1976

PIPA Japanese Committee No.2

Chairman; Kazuo Takayanagi

Reporter; Masao Tomita

DECISIONS ON NOVO INDUSTRI CASE

I would like to report our group's researches on Novo Industri Case, violation of Japanese Anti-Monopoly Act by an international agreement between Japanese and foreign enterprises, on which a decision has recently been given by the Supreme Court in Japan.

1. Introduction

It is stipulated in Anti-Monopoly Act Article 6 Paragraph 2 [see (a) in the attached sheet] that, in case a Japanese enterprise has concluded an international agreement with a foreign one, they are obliged to submit a report of it to the Fair Trade Commission for examination of whether the contract may contain any provision corresponding to unreasonable restraint of trade and unfair business practices.

The Novo Industri Case is the first of violations of Japanese Anti-Monopoly Act since it was amended considerably in 1953 [see (b) in the attached sheet]. This case received an elimination order in the form of a recommendation decision [see (c) in the attached sheet] stating as reason that the agreement clauses prohibiting the dealing of competitive products after its termination correspond to "unfair business practices". Thereafter, the foreign enterprise Novo Industri's appeal for the annulment of the decision was lodged with but dismissed by the Tokyo High Court.

Further, the demand for the revision of this judgement presented to the Supreme Court by Novo Industri was also quashed.

Regarding this case, many comments and criticisms have been raised early by informed jurists. I introduce here representative examples of them.

2. Outlines of Case

Novo Industri are a Danish company and Amano Pharmaceuticals K.K., a Japanese one, Amano was given by Novo an exclusive right for purchasing "Alcalase" (dissolvable alkaline bacteria protein enzymes) from Novo and selling it over the territories of Japan and

Okinawa under the international Agreement.

Stipulated in the Agreement are that Amano shall maintain the reselling price of Alcalase and shall not do the production sale nor trade of its competitive products during contract period and for three years after contract termination. Amano notified the Fair Trade Commission of the Agreement two years after its effectuation, but the commission urged Amano to annul it, stating as reason said three clauses violate the Anti-Monopoly Act Article 6 Clause 1. Amano accepted this Recommendation. Meanwhile, the provision stipulating their maintenance obligation of reselling price was nullified by the termination of the contract but the other two prohibiting the dealing of competitive products still remained effective. Therefore, the commission rendered the Recommendation Decision to the effect that Amano shall cross out the two provisions. Novo, one of the parties to the Agreement but not the respondent of the Recommendation Decision, raised an appeal for the annulment of that Decision to the Tokyo High Court with the Commision as appellee, insisting that the Recommendation Decision not based on any substantial evidence is in contravention of the Constitution Article 31 and the Anti-Monopoly Act Article 52

[see (d) and (e) in the attached sheet].

The Court dismissed the appeal as legally inadequate on May 19, 1971. Thus, the appellant's competency as well as interests and merits were negatived. The major reason of the dismission was that the appellant company had no standing since the abating action as very administrative measure based on the Anti-Monopoly Act did not give any direct influence on the effect of their acts under private laws and they can secure its position as one of the parties to the agreement, though it is illegal, unless they are not the addressee of the decision. Novo took the appeal to the Supreme Court as discontented with the judgment since, according to their insistence, the actual abating action was taken against Novo and they whose rights under the contract was violated by the decision naturally have competency as appellant. But, the appeal was also quashed by the Court on November 28, 1975. The main reason of this was that what was made on the case by the Commission was a so-called recommendation decision based entirely on acceptance by the respondent at his free will and the appellant company were not given any influence thereby. The judgment continues that, even if Amano

reluctantly decides the termination of the Agreement, such one-sided termination of the Agreement should be considered to be a unilateral termination or non-performance of the Agreement at the intention of Amano itself, not compulsorily made by the Recommendation Decision, and, therefore, Novo shall not be affected by the Recommendation Decision. Accordingly, Novo has lack the qualification as plentiff to petition to quash the decision, so concluded the judgment.

3. Problems

The outlines of Novo's Anti-Monopoly Act Violation Case are as described above. With respect to Fair Trade Commission's Recommendation Decision as well as Tokyo High Court and Supereme Court's judgments, informed jurists here in Japan have raised various arguments. One of them is that the Commission's Recommendation Decision referred to the application of the Anti-Monopoly Act Article 6 only in relation to Amano as domestic enterprise and, in the Courts' judgments, the lawsuits of the foreign company as appellant were treated only within the framework of such issues of the Administrative Procedure Code as the appellant's competency to raise the lawsuits and of the Anti-Monopoly Act as

the difference between a recommendation decision and a decision. Fundamentally important in the case, however, was problems respecting the application of the Anti-Monopoly Act to this case having an international nature.

3-1 Problems with Extra-Territorial Application

The Institute's Recommendation Decision in which the appellant lawsuits originated states that the international agreement concluded between foreign and Japanese enterprises violates the Anti-Monopoly Act Article 6 Clause 1. Heretofore, there have been many arguments whether the provision may be adequate for so-called extra-territorial application. The Tokyo Hight Court's judgment points out that an elimination action as one of very administrative measures does not give any influence on the effect under private laws of acts as its object whatever the Recommendation Decision it may be based on. According to the logic of the Court's judgment, it can be said that the administrative measure itself, apart from the effect under private laws, is aimed at binding the foreign enterprise through the legal application of the Japanese one as its respondent.

The Supreme Court, on the other hand rejected Novo's insistence that the Institute's Recommendation Decision

was substantially directed against them, stating as reason that it is not based on the presumption of any illegal act and the right or legal interest of any third person shall not be affected thereby. According to this judgment, any legal effect as far as the Recommendation Decision concerned is not exerted on the foreign enterprise having no foundation in this country. The judgment can be even inferred from this to indirectly state that the provision does not have any extra-territorial effect. In this respect, it can be considered that there is a difference, between the both Courts' judgments, of the impact given on how to interprete the scope of the extra-territorial application of the Anti-Monopoly Act. It is not clear, however, how about a case of a decision since the Supreme Court did not give any judgment on it. Anyway, the procedure for the Institute's Recommendation Decision was taken only with the domestic enterprise as respondent. This may be probably because the foreign company, as one of the party to the international agreement, having neither branch nor business office in this country may not have been considered as the object of domestic jurisdiction by the Institute. It was, however, a substantial fact that the violation of the Anti-Monopoly Act by the

international agreement with an foreign enterprise as one of the parties was questioned actually although the Institute cannot qualify them outside of their procedure control as respondent. Such a foreign enterprise's participation in a trial is not stipulated in the Anti-Monopoly Act Article 59 but should not be denied in actual application of the article.

I consider that a measure to noticing such a foreign enterprise of recommendation or trial commencement, for example, should be taken into consideration.

3-2 Problems with Appellant's Competency

As for the lawsuits for the annulment of the Recommendation Decision with Amano as respondent, the both Courts concluded their trials with their judgments based on the reason under procedure laws that Novo have no standing as appellant without hearing their actual insistence. Behind this are such problems under the Anti-Monopoly Act as the difference between a recommendation decision and a decision as well as the former's presumption of facts and binding power. The real problem in this case, however, is that Novo, being outside of Japanese procedure jurisdiction, were not qualified as respondent of the Recommendation Decision although they

were very one of the parties to the international agreement. In treating international legal questions, such consideration of how to secure the legal stability in international legal relations that differ from domestic ones as the balance of adjudications and the respect for vested rights are required besides such peculiar legal questions as trial jurisdiction and determination of what law to be applied. It is considered,therefore, that if a domestic law is applied as proper law in such cases, different interpretations and applications of it from domestic cases is required.

4. Conclusion

Increasingly important in today's open economic structure is proper and effective application of the Anti-Monopoly Act to international affairs.

Although many arguments have been raised regarding the present case as described heretofore, it is of a great significance that current Japanese Courts' conceptions of what are the scope of the Fair Trade Commission's Recommendation Decision and the extra-territorial application of the Anti-Monopoly Act Article 6 Paragraph 1 at this moment were clarified thereby.

Attached Sheets

(a) "Anti-Monopoly Act Article 6 Paragraph/2"

In case any enterprise makes an international agreement or contract, it shall submit a report on it to the Fair Trade Commission in persuance of the regulations of the Fair Trade Commission within 30 days after the conclusion of the said agreement or contract together with a copy of the said agreement or contract.

(b) "1953 Year's Revision of Anti-Monopoly Act"

The largest revision since its establishment. As to Article 6, the procedure provision was not substantially revised but the substantive one was changed throughly. First of all, Article 4 was deleted and the provision as to joint acts was revised so as to prohibit any international agreement containing "unreasonable restraint of trade". Second, a provision prohibiting the conclusion of any international agreement containing unfair business practices was inserted.

(c) "Recommendation Decision"

When recognizing the existence of any act violating the Anti-Monopoly Act, the Fair Trade Commission may recommend any violator to take a proper measure.

Any having received such a recommendation shall notice the Commission without delay whether to accept it. If he accept it, the Commission may give a decision to the same effect as the recommendation. This usually called recommendation decision is a simple elimination procedure approved with a party's acceptance as its requirement. If a violator does not accept its recommendation, the Institute may made a determination to start a trial.

(d) "Constitution Article 31"

No person shall be deprived of life or liberty, nor shall any other criminal penalty be imposed, except according to procedure established by law.

(e) "Anti-Monopoly Act Article 52"

A respondent or its attorney in a trial may state any reason that the measures of the Fair Trade Commission as to its relevant case may be unjust, present data evidencing the reason, arrange a required reference and examine materials relating thereto.

DRAFT RBB/cas
11/1/76

For Presentation to PIPA conference in Hakone, Japan on November 9-10, 1976.

Arthur G. Gilkes

THE IMPACT ON INTERNATIONAL LICENSING THAT THE DEVELOPING NATIONS ARE HAVING, BOTH THROUGH CHANGES IN THE NATIONAL LAWS AND THROUGH CONCERTED ACTION IN VARIOUS INTERNATIONAL ORGANIZATIONS SUCH AS THE UNITED NATIONS

Evaluating the impact on licensing technology in developing countries in light of the actions being taken by these countries individually and collectively at international conventions such as UNCTAD and WIPO depends on your point of view. As a licensor of technology, which many of the people in this room represent, the trends are all bad. Almost all of the developing countries are adopting laws and policies that reduce the protection afforded to intellectual property. This stems from a concept common among the developing countries that the use of intellectual property, that is, patents, trademarks and know-how licenses, has widened rather than narrowed the economic gap between the developed and the developing countries.

There have been many international meetings on the subject of technology such as the recent meeting of UNCTAD in Nairobi. As a result of these meetings, proclamations have been issued calling for a freer exchange of technology.

Loosely translated, this means the developing countries want to receive technology from the developed countries free or at nominal cost. This proposal is one of a series being developed by the so called "Group of 77" (developing countries) to form what they call "new economic world order". Among the other things under consideration are:

1. A new model patent law for developing countries being drafted by WIPO (World Industrial Property Organization) which is now a branch of the United Nations.
2. Numerous revisions of the Paris Convention including a provision enabling the developing countries to discriminate against non-citizens in matters such as fees, working requirements and compulsory licensing provisions.
3. A "Code of Conduct of Technology Transfers" being drafted under the directorship of UNCTAD (United Nations Conference on Trade and Development). This "Code" proposed guidelines on all aspects of the transfer of technology including the licensing of patents, trademarks, the supplying of know-how and technology data and including agreements covering

technology cooperation on Turnkey projects and the like.

Most of the specifics being proposed by the developing countries would, in my opinion, tend to impede or discourage the transfer of technology to developing countries. Ironically, many of the representatives of the developing countries indicate that they are attempting to copy the example of the Japanese, who have made great strides in their economic development by importing technology. However, they tend to overlook two things:

1. During the time the Japanese were importing technology, they had a strong patent system in accordance with the principles of the Paris Convention and gave the owners of such technology an opportunity to obtain a market share in Japan; and,
2. The Japanese had a supply of technically trained people who were capable of utilizing the technology being imported with minimum additional training and the ability to develop and build on that technology. The Japanese have used their local technical skills so well that they are now exporting technology to almost every country in the world including the United States. On the other hand, the developing

countries in most cases do not have the technological capabilities within the country to absorb and utilize the technical information they are seeking from the developed countries.

You have to keep the demands of the developing countries in prospective because there are at least 77 countries classified as developing countries and many more that consider themselves as developing countries, at least for consideration in the field of intellectual property. Hence, at any international meeting, the developed countries are going to be easily out-voted by the developing countries.

You can assume that from the developing countries' point of view, the new laws which are being proposed and in some cases already passed are going to be beneficial to the economic development of these countries. However, I believe that the jury is still out on this question and it will be many, many years before we can accurately evaluate the effect of such new laws. The intellectual property laws of the world are in general designed to motivate or induce the owners of technology to disclose such information in return for an appropriate present or potential reward. Absent this potential reward, will the owners of technology

be willing to make their latest technology available to the developing countries? This is especially true in the free world where the great majority of the technology is owned by individuals and privately owned corporations rather than by Governments.

Now, the real question is whether the restrictions being proposed and in some cases instituted by the developing countries, are going to prove in the long-run to be a disincentive to the owners of technology in licensing their technology. In my opinion, most of these restrictions are going to have the effect of choking off the new and sophisticated technology. The only technology likely to be licensed in the future to these countries will be obsolete or relatively unsophisticated technology that can be easily copied. I say that this will happen in the future because, right now, a number of licensors are already committed in many developing countries. They have sent technology there under license agreements which were negotiated at arm's length between the parties and from a commercial point of view, were very balanced. However, in some countries the Government has now been interposed between the licensor and the licensee by requiring that every contract relating to

the transfer of technology must meet certain standards or requirements and be approved by the Government. When the contract is submitted for approval the Government is committed to reject the license agreement if it contains certain provisions. As a result, you often find the Government requiring changes in the contract such as reduced terms, reduced fees and increased technical assistance. Thus, you end up with a much less desirable contract and it's questionable that licensors will be anxious to enter into additional licenses under these circumstances.

Some countries have gone even further, according to Decision 84 of the Commission of the Cartagena Agreement or Andean Pact, the Governments now review technology transfer agreements to determine whether or not they are compatible with broader economic and social development policies of the country.

I suggest to you that the freedom of contract in the area of licensing technology has been severely eroded if not entirely eliminated. Valid agreements entered into freely between parties are now becoming unenforceable because they fail to comply with the strict provisions established by these Governments after the date the agreement was executed.

Now, you find yourself in a difficult bind. Suppose you have already sent your technology to one of these countries that are changing their laws. If you fail to amend your agreements to comply with the new law, you cannot enforce the agreement. Do you walk away and leave your technology there, completely unprotected by contract, or do you amend your agreement so that you can continue to receive some payment or other compensation for your technology?

It's interesting that in the patent field at a time when many of the developed countries in the world are amending their laws to strengthen the patent system in recognition of the contribution that that system has made to the development of their economies, the developing countries are going in just the opposite direction. They are reducing the protection afforded by patents. They are reducing the term and cutting out significant segments of products that can be covered by patents. For example, the Mexican law which was passed in February of this year eliminates patent protection for pharmaceuticals, certain chemicals and processes, and anti-pollution apparatus. The term of the patent has been reduced to ten years, some very strict use requirements have been added so that as a practical matter, if you failed to comply

with the use requirements, your patent could become invalid and unenforceable in a short period of four years.

In the area of trademarks, the term of trademarks has been reduced in some countries. In at least one country, laws have been passed which require that if you license your trademark to a national company, at the end of a given period of time you have to give that company the free right to use either that trademark or one which is substantially identical. In Mexico, the same law which I just mentioned requires that if you license your trademark in Mexico, you must require that the licensee put on the same product with equal prominence a Mexican trademark. In discussing this law with Mexican counsel and Government officials in Mexico, it is clear that the intent and purpose of the law is to eliminate completely within a short period of time the reliance of Mexican companies on the trademarks of their licensors.

In the area of technology, or what many people call know-how, the developing countries are imposing what I consider to be very severe restrictions. Ironically, this is exactly the area where developing countries need the most help. An example of such restrictions is Decision 24 of the Commission of the Cartagena Agreement or Andean Pact which requires the Government to reject any technology transfer agreement if it

contains any of a certain list of 14 provisions. Among these provisions are many which licensors usually consider critical to the control of its technology. Such provisions as those allowing the licensor to retain title to its technology or requiring the licensee to treat the information received as confidential will precipitate a rejection of the license agreement by the Government.

In discussing this situation with certain Latin American officials, they make it very clear that their intention is to do away with the traditional concept of licensing and adopt a concept of purchasing technology. In other words, a monetary value is placed on the technology and when the price is paid, there is no limitation on what the licensee can do with the technology received under the license. Without the protection afforded by title and confidentiality clauses, the licensor runs a significant risk that within a matter of a few short years the licensed technology will end up in the hands of your number one competitor in your home market.

Another popular provision of the Governments of some developing countries is that they demand an exclusive license for their country plus absolutely no restrictions on exporting the product of the technology. This places the licensor in a

very interesting position: if you grant a license under your technology in a country X and they demand an exclusive license and the right to sell anywhere, what happens when you go to another country Y and license your technology and they demand the same thing, an exclusive license and the right to sell the licensed products everywhere? Since you have already given the right to country X to sell everywhere, you cannot in good conscience grant an exclusive license in the second country. These are very harsh provisions which make it very difficult to justify licensing under such terms to a company in such a developing country with a limited market.

There are a number of other restrictive provisions. As far as I am concerned, the most significant is the determination of what rights the licensee has in the technology at the end of the agreement. This is compounded in countries where they are trying to force licensors to accept know-how agreements having terms of only three or four years.

Many developing countries require the licensor to update the licensed technology continuously to the end of the agreement. This requirement coupled with the demand that the licensee has the free right to use the technology at the end of the agreement creates a dilema for the licensor. For

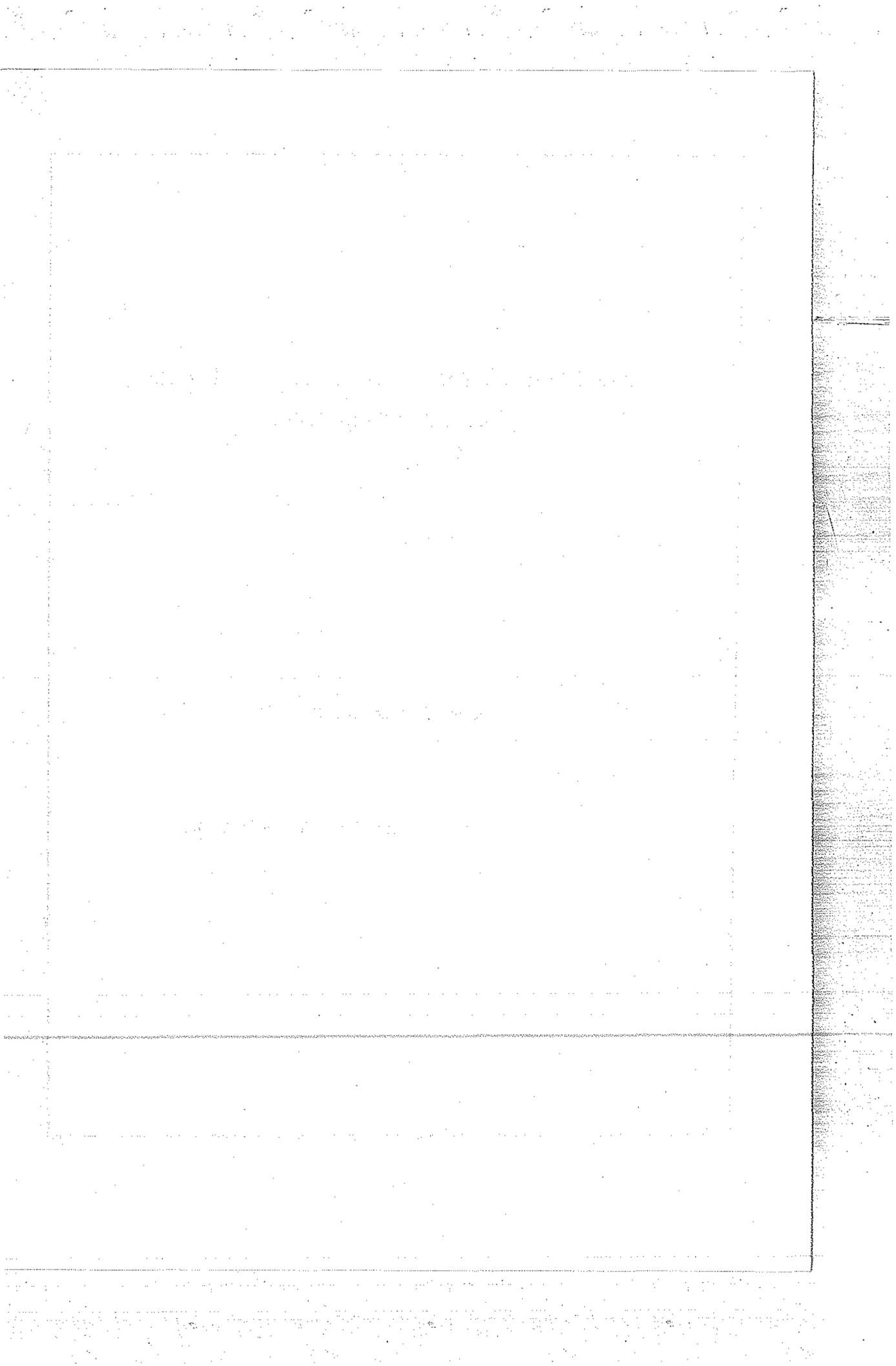
example, assume that one month before the end of your agreement, your research lab comes through with a major breakthrough related to the licensed technology worth millions of dollars. According to contract, you are obligated to disclose this to the licensee and one month later they are free to do with it whatever they please such as disclosing it to your competitors.

You are going to hear speeches, or read comments from officials from some of the developing countries that will state that they have not seen any adverse impact from the new laws--that they have not seen a withdrawal of the companies from licensing in their countries. I submit to you that they have not experienced such an impact because it is going to take time before the impact will be felt. Those of us who have licensees in developing countries already have our technology exposed. The real test is going to come in the next round when they ask us for the new technology. That is when the impact will be felt.

Exception clauses in secrecy provisions of license agreement

Committee No.2

By Mr. I. Shimada



Secrecy provisions are usually included in license agreement involving know-how. The provisions are very common and almost standardized as per attached sheet-1. In this presentation, I would like to discuss what kind of secrecy obligation should licensee take in case no exception clauses are provided in secrecy provisions. Special reference will be made to the case where disclosure to government of confidential information (sometimes even licensed know-how) is required, which is becoming very popular recently. As basis of this discussion, I would like to start with characterization of know-how.

1. What is know-how?

According to ICC's definition "know-how means applied technical knowledge, methods and data necessary for realizing or carrying out in practice techniques which serve industrial purpose. Where such know-how is of a secret character, it constitutes a valuable business asset and should be protected in law". In other words, even publicly known information such as the information written in text book can be know-how if the information is valuable for industrial purpose and can be object of license or at least object of payment. However, in order for know-how to be business asset

and an object of protection by law, know-how has to be secret.

Viewing from the stand point of protection, know-how has its basic characteristics in confidentiality.

2. Why know-how has to be kept confidential?

According to Article 68 of Japanese Patent Law, "Patentee can have exclusive right to practice the invention for commercial purpose" and monopolistic power is granted to patentee. This basic principle of patent is almost same in many other developed countries. In other words, it is only patentee that can practice invention for commercial purpose in the geographic area where the patent law controlls. If there is anyone, other than patentee, that practices the invention for commercial purpose, the patentee can file injunction against him to discontinue the practice of the invention, claim for damage and for unjust enrichment resulting from infringement of patent right.

By these procedures, patentee can have power to exclude anyone other than him from practice of invention. Patent Law grants this monopolizing power or excluding power to patentee in exchange for and

as a compensation for disclosure to public of the invention for the purpose of development of technology, Take this the other way round, patentee can have his invention protected from unauthorized use by other people even after public disclosure by publication of patent, because of this excluding power. How is the situation with know-how? One of the characteristics of know-how is in its confidentiality. The monopolizing or excluding power, being granted to patented information in exchange for disclosure of the invention to help develop technology, there isn't any justification for granting protection by excluding power to know-how which calls for confidentiality and does not allow disclosure to the public. Here is the basic difference between patent and know-how. Therefore, know-how can be used by anyone without any restriction, if he owns the know-how or if he obtains the know-how lawfully from others having lawful right to disclose. And nobody can exclude others from using it or demand others to discontinue to use it (unless the latter obtains the know-how unlawfully) on the ground that he owns the same know-how or he has been using the know-how. Restatement Torts 757 Comment a states "Anybody can use

trade secret (know-how) of others so long as there is no breach of contract, abuse of confidence or impropriety in the method of procurement". Therefore, only way by which you can protect valuable information, know-how from use by others is to keep in confidence. Standard set forth by ICC for protection of know-how states "Know-how should be regarded as secret in character if it has not been published in a from available to the public and the undertaking which has developed it or lawfully acquired it takes all reasonable steps to prevent its unauthorized disclosure". Further, Restatement Torts 757 Comment b states "a substantial element of secrecy must exist (in trade secret), so that, except by the use of improper means, there would be difficulty in acquiring the information". From these, we can conclude that know-how requires the owner thereof to take appropriate measure to keep it confidential. This is the very reason why secrecy provisions are included in license agreement.

3. Why exception clauses are set for secrecy provisions?

Secrecy provisions normally contain exception clauses as set forth in Attached Sheet-1. Since

know-how has no excluding power like patent, it is possible that plurality of man own the same know-how. One of the owners (licensor) of know-how cannot restrict use of the know-how by others (licensee) only because he (the former) is the owner of the know-how which the latter (licensee) also owns. At least, licensee can reject such claim by licensor, if he makes. This is the theoretical ground upon which licensee can put exception clauses of (1) and (3), i.e., "information in the possession of receiving party at the time of disclosure" and "information to be obtained by receiving party from third party having lawful right to disclose" respectively in secrecy provisions.

Characteristics of know-how is in its confidentiality. Information, once lost its confidentiality, cannot be know-how, be it ever so useful for industrial purpose and one cannot have any theoretical ground to put any secrecy obligation and restriction on use for such information. Therefore, receiving party can claim to put exception clause (2), i.e., "information which is known to the public at the time of disclosure or thereafter becomes known to the public .....".

It is quite natural for licensor to try to protect its know-how by imposing secrecy obligations to licensee. However, due consideration should be made to avoid the case where over protection results in failure of licensee to accomplish the objectives that he intended to achieve by licensing arrangement. Licensee goes into licensing agreement to enable him to use the know-how for engineering, construction and/or operation of plant. If he cannot disclose the know-how to officers, employee of its company and/or contractor to be employed for such purpose, only because licensor sticks to complete secrecy agreement, then there is no use for licensee to go into licensing agreement. This is the reason for setting exclusion clauses of 2 and 3.

4. What is secrecy obligation of licensee if there is no exception clause?

If licensee signs secrecy agreement without exception clauses and if afterwards

(1) it is found that licensee owned, at the time of receipt of information, the same information as that was disclosed by licensor,

(2) the information becomes publicly known, or

(3) it becomes necessary for licensee to disclose the information to third party, contractor, can licensee be exempted from secrecy obligation accordingly?

So long as licensor does not agree to the exemption, licensee cannot be relieved of the secrecy and non-use obligation. As stated before, it is not because licensor has legal obligation to put exception clauses but because licensee has sound basis to claim licensor for such exception and licensor has no reason to reject such licensee's request that exception clauses are included in secrecy provisions. It comes, therefore, that although licensee can demand licensor to include exception clauses in secrecy provisions when negotiating the agreement, what controls the parties is what is written in the agreement once the agreement is signed and that licensee cannot be exempted that part of secrecy and non-use obligations if there is no explicit exception clause written in the agreement. Although we tried to find out cases involving this type of situation, we could not find any such cases in Japan.

In the United States, there is a case, Warner-Lambert Pharmaceutical Co., Inc. v. John J. Reynolds, Inc.

(U. S. District Court, S. D. N. Y. 1959). According to court decision, licensee had to continue to pay royalty as much as 1.5 million dollars per year even after the licensed know-how became publicly available while competitors could use the know-how freely only because there was no exception clause for secrecy and non-use obligation included in the agreement for publicly available information. In this decision court says "What governs the parties to the agreement should be decided by the parties and by what is written in the agreement". In other case, Allen Qualley Co. v. Shellmar Products Co., Shellmar had to keep the information that was disclosed to it by Allen Qualley in confidence even though the information became known to the public through issuance of patent, since there was no exception clause in the agreement for publicly known information. As these two cases show, what is explicitly written in the agreement governs the parties and licensee cannot be exempted from its secrecy obligation automatically for the information that is known to licensee or public at the time of disclosure. Therefore, it is very important for licensee to have exception clause included in the agreement.

5. New exception, disclosure to government

Exception clause listed in Attached Sheet-1 is of standard type and suffice for ordinary use.

Recently, however, we frequently are put in a situation where additional exception clause is needed. That is exception clause for disclosure of know-how to government body. As we actually experienced recently, most of the confidential information we furnished under license to our licensee in U.S.A. was forced to be disclosed to EPA. In other case, our licensee in West Germany had to submit process flow sheet, plot plan and other confidential information to government office in charge of safety and environmental control in order to obtain government approval for construction of the plant. In Japan too, same thing could happen. As listed in Attached Sheet-2 there are several laws and regulations already in force that may call for disclosure to government of confidential information. Under some of these regulations, anyone who wants to build new facilities has to submit information about process which normally includes know-how to government to get approval for new facilities. These regulations being particularly from stand

point of safety, scrutiny of plant and process will be made, particularly when major accident such as explosion happens, thus resulting in disclosure of know-how. Otherwise reopening of plant cannot be approved. These are the examples of regulations for chemical industry but there must be similar regulations that call for disclosure of confidential information in other industry, like pharmaceutical, iron and steel and so forth.

In any of these cases, confidential information can be kept confidential since government employees are bound by secrecy obligation according to The National Public Service Law.

We can say that disclosure to government is very similar to disclosure to contractor in the following two respects:

(1) Information can be kept confidential.

(2) Without disclosure, objectives of license, that is, to use the know-how for the purpose contemplated cannot be achieved.

By the same reason as employed for disclosure to contractor, prospective licensee can request exception clause for disclosure to government in negotiating the agreement. But how is the secrecy obligation of licensee handled if there is no

exception clause included in the secrecy provisions and afterward licensee is forced in a situation to disclose confidential information to government, contrary to intention of licensor? Can licensee not be exempted of secrecy obligation just like the case for disclosure to contractor?

We believe that following two facts will dominate in deciding the extent of secrecy obligation that licensee has to assume in this case.

(1) the fact that licensee as well as licensor cannot predict whether or not or when this type of regulation comes into effect.

(2) the fact that disclosure to government is made in accordance with what public law requires.

It comes, therefore, that for licensee it is very difficult to be exempted of secrecy obligation without written statement about exemption if the regulation was already in effect prior to execution of the license agreement, since licensee is supposed to know the existence of the regulation and licensee cannot claim mistake in fact pursuant to Article 95 of Civil Law in finalizing the agreement, in view of the fact that regulations are published in something like Federal Register.

On the other hand, if the regulation comes into effect after execution of the agreement, licensee can claim mistake in executing the agreement on the ground that such regulation was unpredictable at the time of execution of the agreement and can terminate the agreement or can be exempted of secrecy obligation on the basis of incompliability of the agreement if the objectives of agreement cannot be achieved without disclosure of the information.

Further, licensee can be exempted of secrecy obligation on the basis of principle of supremacy of public law (regulation) over private law (license agreement) or on the basis of force majeure, if the agreement includes "government restraint" as force majeure.

In this respect, we believe that disclosure to government has different nature than disclosure to contractor. What we mentioned here is, however, very delicate and may be subject to different interpretation, resulting in a lot of argument. And also, as time goes, this kind of governmental regulation becomes ubiquitous and very popular in many countries and therefore licensee may not be able to claim unpredictability of the regulation or mistake

in executing agreement any more. To avoid any dispute in future, we would like to suggest you to have clear reference to disclosure to government in secrecy provision in licensing agreement.

Attached Sheet - 1

1. Receiving party undertakes that for years from the date of the agreement, it will keep in confidence and secret, not divulge to others and not use for any purpose other than provided for by this agreement without prior written consent by disclosing party all confidential information disclosed to receiving party pursuant to this agreement except the information which

(1) was in the possession of receiving party at the time of disclosure thereof by disclosing party to receiving party, which shall be demonstrated by receiving party by written record and not was previously acquired directly or indirectly from disclosing party

(2) at the time of disclosure to receiving party, is known to the public as evidenced by printed publication or thereafter becomes known to the public by publication or otherwise without default on the part of the receiving party.

(3) is obtained by receiving party without any restriction on disclosure, from an independent party having full right to disclose.

2. Notwithstanding the above, the receiving party may disclose the confidential information to contractor, which shall previously be approved and confirmed in writing by disclosing party, only to the extent that is necessary for design, construction and maintenance of the plant by the contractor, provided, however, that receiving party shall cause the contractor to execute secrecy agreement which is no less strict than the secrecy provision hereunder.

3. Notwithstanding the above paragraph 1, receiving party may disclose the confidential information to officers and employees of receiving party that are directly involved in and necessary for the performance of the project. Receiving party shall be fully responsible for observation of secrecy obligation by such officers and employees.

Attached Sheet - 2

Laws and Regulations that may call for disclosure of Confidential Information

1. Ministry of International Trade and Industry
   1) high pressure gas control law
   2) factory location law
   3) law concerning examination and regulation of manufacture, etc. of chemical substances
   4) pollution control system

2. Ministry of Home Affairs (Fire Defence Agency)
   1) fire service law
   2) law concerning prevention of disaster in petroleum refining complex etc. *

3. Environment Agency
   1) basic law for environment pollution control
      i) air pollution control law
      ii) water pollution control law

4. Ministry of Labor
   1) labor standard law
      i) industrial safety and hygene law *

5. Ministry of Transport

1) marine pollution prevention law

6. Science and Technology Agency

1) law concerning handling of isotopes *

2) law concerning atomic energy *

* Official titles were not available.

Committee Presentations
(Committee #3)

(Panel Discussion)

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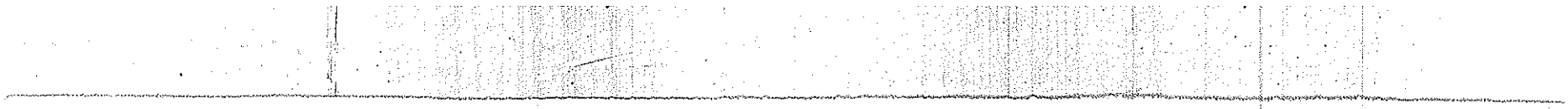
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A PERSPECTIVE ON DEVELOPMENTS IN THE WORLD INTELLECTUAL PROPERTY FIELD

PIPA 7th INTERNATIONAL CONGRESS
November 9-11, 1976
Hakone, Japan

E. W. Adams, Jr.
Patent Attorney Director
Bell Laboratories
Holmdel, New Jersey

Committee No. 3

Over the last several years the emerging but still less developed nations of the world have initiated in the United Nations an effort to set up a "new world economic order." This group of nations sometimes referred to as the Group of 77, has among other strategies, seized upon revision of the world intellectual property systems as one device for reaching this general goal. In such efforts they have been generally opposed by the developed nations sometimes known as the B Group of Nations and have had occasional but significant support from the Socialist Bloc of Nations.

Two specific efforts involve revision of the Paris Convention for the Protection of Industrial Property and revision of the Model Law for Developing Countries drafted by WIPO several years ago in connection with the assistance provisions of the Patent Cooperation Treaty.

In each case, WIPO has held so-called "meetings of experts" to consider proposals put forward by the developing nations. There have been three meetings of an Ad Hoc Group of Governmental Experts on the Revision of the Paris Convention and four sessions of a Working Group on the Model Law for Developing Countries. PIPA has been represented as observer organization at these meetings and excellent reports on these meetings were presented at the last Annual Congress in Boston by Dr. Kish of the American Group. The most recent meetings of the two groups were held in Switzerland last June.

PIPA was represented by Mr. Matsui, Mr. Levine and myself at the Paris Convention meetings and I also attended the Model Law meetings.

As suggested, the developing nations seek to create a new world economic order in which the remaining groups of countries will grant preferences to them to assist them in improving conditions within their countries. In connection with intellectual property, it is the apparent goal to revise existing international arrangements to mandate preferential treatment for the nationals of developing countries. This approach is, of course, in derogation of the Paris Convention and a number of questions have been identified for detailed consideration by the study group. Unfortunately, at the second meeting of the Ad Hoc Group of Experts, political-philosophical considerations took precedence over detailed consideration of the existing Paris Union Convention language and the primary attention was directed to a Declaration of Objectives for Revision of the Union.
The resulting declaration has not been formally adopted by any nation but nevertheless appears destined to guide the actions of WIPO. This document states political goals and is based on assumptions concerning the effects of the present convention which have no agreed foundation in fact.

Despite this diversion, there was discussion in considerable depth of the possibility of making inventors' certificates the full equivalent of patents within the meaning of the Paris Convention and of the

question of whether the provisions regarding the independence of patents should be maintained. All other questions were deferred until the meeting held last July. There, although the agenda had included discussion of importation, working and sanctions for non-working as well as a discussion of preferential treatment for developing nations without reciprocity, a large part of the time was spent in further discussion of the inventors' certificate issue which was not resolved. There was discussion of the question of whether unanimity or a qualified majority would be sufficient for the voting procedure in a revision conference and a number of relatively unimportant matters involving trademarks, industrial designs, false indications of origin and the like were given passing consideration.

In addition, and most significantly, a resolution was passed requesting the Paris Union Assembly to plan for a diplomatic conference to carry out revision of the Paris Convention and directing the Secretariat to prepare the necessary working documents. This request has since been honored and the Ad Hoc Committee of Experts has now become a Preparatory Inter-governmental Committee on the Revision of the Paris Convention. The first meeting of this new organization which includes the same cast of characters as the ad hoc committee is to be convened in Geneva two weeks hence and PIPA will again be represented.

At the coming meeting only four matters are on the published agenda since WIPO has apparently become convinced that more ambitious agendas are never completed. These include (1) importation, working, and sanctions for non-working; (2) inventors' certificates; (3) preferential treatment without reciprocity in connection with fees and the priority period and (4) the unanimity or qualified majorities in voting.

During the last several years, the group of experts considering the model law has wrestled with the question of how to draft a model law which might be adopted by developing countries and which would serve the needs of such countries without hopelessly discriminating against nationals of other countries. WIPO has, as a result of a number of these meetings, prepared a new draft model law which is being considered in sections. Thus far, the most controversial issue has not been reached. This involves the incorporation in the Model Law of the so-called "Code of Conduct" which would require certain acts on the part of potential licensors and prohibit other acts by them. Indeed, the recently revised laws of several countries establish agencies which approve only those proposed license agreements which are in accord with a code of conduct. I am pleased to report that Dr. Kish, whom I mentioned in connection with the earlier reports at the Boston Congress will be present as PIPA's representative at the fifth Model Law Session which will take place three weeks from now in Geneva, Switzerland.

REVISION OF PARIS CONVENTION, VIEWED FROM STANDPOINT OF JAPAN

November 10, 1976
PIPA Hakone Meeting
Japanese Group Committee No. 3
Reporter: Shoji Matsui

Abstract:

In case the Paris Convention should be revised along the proposals by developing countries and, as a result, should the patentee be unable to prevent a third party from importing articles incorporating the patented invention or made by the patented process, the patent right would be unduly weakened. Also, if the patent should lapse or be revoked due to only five-year non-working or insufficient working without allowing the patentee to justify the reason for failure to work, the patent, e.g. concerning medicines, would cease to exist before the patented product could actually be marketed with permission by the authorities concerned. We do not think that such proposed revisions are appropriate and would serve for industrialization and development of technology in developing countries.

Contents:

At the June meeting of WIPO held in Lausanne, Switzerland on the revision of the Paris Convention, such issues, among others, as "Working", "Importation", "Sanctions for non-working", "Special measures protecting the public interest" were scheduled to be debated, but these issues were not actually discussed due to a shortage of time. Of these issues, I would like to present my views on "Importation" and "Sanctions for non-working", taking into account the standpoint of Japan.

As you are aware, some developing countries have proposed to revise the Paris Convention with the main objective to promote technology transfer from developed countries, which would serve for industrialization and development of technology in their countries.

However, among their proposals there are found a few proposals such as "Any notifying developing country shall be free to provide or not to provide in its national law for a right of the patent owner to prevent an unauthorized importation of articles", or "The patent shall lapse or may be revoked where the patented invention is not worked or is not sufficiently worked, without allowing the patentee to justify the reason for the

failure to work". In my opinion, these proposals, if adopted in the national laws, would not serve for the materialization of their objectives, viewed from the experience of Japan.

Today, I would like to take up some points from paragraphs (2) and (3) of the Proposed Draft Text for the June meeting of WIPO, which seem to be most problematical.

First, I would like to point out that the insertion of the provision as proposed in paragraph (2)(a) into the Paris Convention, "Any notifying developing country shall be free to provide or not to provide in its national law for a right of the owner of the patent to prevent others from importing into its territory, without his authorization, articles incorporating the patented invention or made by the patented process" would be contrary to the primary objectives of the revision of the Paris Convention, i.e. to promote the actual working of inventions in each country itself, to improve the conditions for transfer of technology from industrialized to developing countries, and to facilitate the development of technology by developing countries. This paragraph (2)(a) states that each notifying developing country has a freedom to provide

or not to provide for a right of the patent owner to prevent importation of articles manufactured abroad. However, if any notifying developing country proposed in paragraph (1) of the Draft Text should provide in its national law that the patentee cannot prevent importation of articles incorporating the patented invention or made by the patented process, I am afraid that such provision might serve for promoting import of finished products rather than technology transfer from the developed countries. Since a means of import may be an easy way of meeting domestic needs, it might be beneficial to such country from the short-term viewpoint, and, temporarily, less-expensive articles might flow into the market of the country. However, should any country continue importing articles of domestic needs from abroad, nationals of the country would lose incentive to make inventive activity for the development of new technology, and as a result, primary objectives of decreasing gaps in the field of technology by developing countries may not be achieved permanently. Thus, developing countries would lose a chance of making best use of their own national resources as well as their human resources.

It should further be noted that even when the patent

owner or his licensee is actually working his invention in the country where the patent was granted, articles manufactured abroad by the patented invention would be allowed to flow into the country. Such import would give a big blow to the actual working person and should have him give up technology transfer through a patent to the country afterwards.

Also, if the patentee cannot prevent such act of import, the effect of patent right would be considerably restricted or weakened, and the owners of technology in developed countries would lose incentive to transfer their technology to developing countries. A result of losing their incentive of technology transfer is, needless to say, a brake on domestic innovation and development of technology in developing countries.

From this viewpoint, I believe that the insertion into the Paris Convention of the provision as proposed in paragraph (2)(a) would not serve for the mutual interests of developed as well as developing countries.

According to the Japanese patent system, a patentee has a right to prevent import of articles manufactured abroad by dint of a patent concerning the invention of a product as well as a patent concerning the invention of a process of manufacturing thereof.

I think it is not too much to say that the Japanese patent system served a great deal to stimulate investment of foreign corporations which originally developed a new technology.

Next, let me present views on paragraph (3), particularly (3)(d), of the Proposed Draft Text. Paragraph (3)(d) states that any notifying developing country may provide in its national law that the patent shall lapse or may be revoked due to non-working or insufficient working, without giving the patentee an opportunity to justify the reason after the lapse of five years from the grant, i.e. three-year non-working or insufficient working plus two years from the end of the time limit (or seven years from filing under a deferred examination system).

I should say that this provision, if enacted, would be too stringent to the patentee and lack proper protection of the patent right.

Take the case of development of a new medicine, for example;

Nowadays, it is the case in many countries that eight to 10 odd years are usually required to collect clinical data, to obtain approval of the competent authorities, and to introduce it into the market. It is a recent tendency that the longer period is necessary between

discovery of a certain new compound and its marketing. Therefore, if a patent lapses or be revoked due to only five-year non-working or insufficient working, it may happen that there remains no patent life before the product is actually put into the market. Also, there might arise such a case that a smart person who wishes to work the patented invention might just await for five years until the patent lapses or be revoked, without accepting the license offer by the patentee. Even though everyone is surely in agreement on the principle itself of the obligation to work an invention, it is obvious that working in many countries where the protection of the invention is sought for is practically impossible and, furthermore, would even be uneconomical. Therefore, in order to avoid such problems as mentioned above in connection with paragraph (3)(d), I would like to propose to supplement the following wordings in the proposed provision:

That is;

1. To insert, "Except in cases where the patentee has justified non-working or insufficient working by showing legitimate reasons such as economic excuse for failure to work", in the same fashion as those covered by Article 5A paragraph (4).

2. To insert, "The patent shall lapse or may be revoked in cases where the grant of the non-voluntary license would not have been sufficient to prevent abuse of the patent right" in the same fashion as those stated in Article 5A paragraph (3).

3. To insert, "The patentee has a right to appeal against lapse or revocation of his patent due to non-working or insufficient working if he is dissatisfied with the disposition".

ANNEX III

DECLARATION
ON THE OBJECTIVES
OF THE REVISION OF THE PARIS CONVENTION

1. The revision of the Paris Convention should aim to contribute to the establishment of a new economic order in the world in which social justice prevails and economic inequalities between nations are reduced.

2. Industrial property, in particular as it relates to inventions, should constitute an element in the process of the transfer of technology and should contribute to the achievement of new technological advances. It should serve the goals of a new economic order, in particular through the industrialization of developing countries.

3. Thus, any new orientation in the industrial property field, in particular any revision of the Paris Convention and the model laws for developing countries, should be undertaken taking into account inter alia the following objectives:

(i) to give full recognition to the needs for economic and social development of countries and to ensure a proper balance between these needs and the rights granted by patents;

(ii) to promote the actual working of inventions in each country itself;

(iii) to establish the principal obligations and rights of the owners of industrial property rights;

(iv) to facilitate the development of technology by developing countries and to improve the conditions for the transfer of technology from industrialized to developing countries under fair and reasonable terms;

(v) to encourage inventive activity in the developing countries;

(vi) to increase the potential of developing countries: in judging the real value of inventions for which protection is requested; in screening and controlling licensing contracts; in improving information for local industry;

(vii) to contribute to the building of the institutional infrastructure in developing countries designed to serve the above purposes, particularly the modernization or creation of industrial property offices, technical documentation centers and information services at the disposal of national industry and national inventors;

(viii) to enable member countries to take all appropriate measures in order to prevent abusive practices in the field of industrial property;

(ix) in general to ensure that all forms of industrial property, including trademarks, be designed to facilitate economic development and to ensure cooperation between countries having different systems of industrial property protection.

4. As far as revision of the Paris Convention is concerned, consideration is to be given to certain defined cases in which exceptions and/or correctives to the principles of national treatment and independence of patents, and preferential treatment for developing countries should be allowed.

5. One of the principal immediate and continuing tasks with regard to industrial property should be, by establishing within the Paris Union and by strengthening within WIPO special services for developing countries, to provide in the shortest possible time the necessary technical assistance to help developing countries strengthen their scientific and technological infrastructure, and to train their specialists.

6. Consideration should be given to the question of equality of treatment for all existing forms of protection of industrial property.

7. International treaties within the competence of WIPO, in particular the Paris Convention, should be framed in the light of the above objectives, leaving a maximum degree of liberty to each country to adopt appropriate measures on the legislative and administrative levels consistent with its needs and social, economic and development policy.

8. The principal lines of this declaration should be considered for incorporation as a part of any Preamble to the Paris Convention in order to redefine industrial property concepts in an effort to better meet the needs and aspirations of developing countries.

[End of document]

[PROPOSED DRAFT TEXT, Continued]

(2) [Importation] (a) Any notifying developing country shall be free to provide or not to provide in its national law for a right of the owner of the patent to prevent others from importing into its territory, without his authorization, articles incorporating the patented invention or made by the patented process.

(b) No notifying developing country shall regard the importation into its territory of articles incorporating the patented invention or made by the patented process as a cause affecting the patent or the rights and obligations attached to the patent.

Explanation of Paragraph (2)

16. The Group of Experts asked for a study of "the possibilities of a general simplification and clarification of the language of Article 5A of the Paris Convention" (document PR/GE/II/13, paragraph 109(i)). Paragraph (2) tries, as do all the other paragraphs of the proposed draft text, to satisfy the requirements of simplification and clarification. The Group of Experts also asked for "an analysis of the meaning of Article 5A(1) explaining, inter alia, that neither that provision nor any other provision of the Paris Convention obliges the member States to grant to the patentee a right of importation or a right to prevent importation" (document PR/GE/II/13, paragraph 109(ii)). The purpose of Article 5A(1), when adopted in 1883, was to oblige States to repeal or not to adopt provisions in their national laws providing for the forfeiture of the patent granted by the country on the sole ground that the patentee had imported into that country articles covered by the said patent. It is neither the intent nor the meaning of Article 5A(1) to oblige countries members of the Paris Union to grant to the patentee a right of importation or, more precisely, a right to prevent importation. Most national laws provide for such a right and not because of a non-existent obligation to do so but, presumably, because it is thought that, without having the right to prevent others from importing from abroad articles incorporating the patented product (or made by the patented process) and manufactured abroad, the patentee or a licensee (including a licensee under a non-voluntary license) may not find it economically feasible to manufacture ("work") the patented product (or use the patented process) in the country if what is imported is cheaper than what is made in the country. In other words, such countries seem to be of the opinion that in order to encourage local working, if not simply to have it, protection against unauthorized importation is useful if not absolutely necessary. However, this has nothing to do with the Paris Convention. The solution to the question-- protection or no protection against importation--is left to each country to decide for itself, in its national law, in accordance with the principle that the Paris Convention should leave the "maximum degree of liberty to each country to adopt appropriate measures on the legislative and administrative levels consistent with its needs and social and economic policy," as expressed in paragraph 7 of the Declaration on the Objectives of the Revision of the Paris Convention (document PR/GE/II/13, Annex III).

17. Some may argue that the freedom of each country to decide for itself whether it wishes to give protection against unauthorized importation is not clear because the Convention is silent on the matter. It is proposed that it should not remain silent but should state expressis verbis that such freedom exists. That is precisely what paragraph (2)(a) of the proposed draft text does.

18. Paragraph (2)(b) of the proposed draft text tries to express in what is intended to be clearer and simpler language than that of Article 5A(1) that importation does not per se destroy the patent. This seems to remain a sound principle since it is frequently in the public interest--particularly when local working might, for reasons outside the control of the owner of the patent, not yet have started--to allow the importation of articles manufactured abroad. If it is in the public interest--or, in fact, for any other reason as well--any country has the right to prohibit importation, and its customs authorities are equipped to enforce such prohibition.

[PROPOSED DRAFT TEXT, Continued]

(3) [Sanctions for Non-Working] (a) For the purposes of this paragraph, "non-voluntary license" means a license to work a patented invention without the authorization of the owner of the patent; it also means a license to work a patented invention given by the owner of the patent where the national law obliges him to give such a license; such license shall not be exclusive; it may not be the subject of transfer or sub-licensing, except that, where the enterprise to which the non-voluntary license was granted, or that part of the enterprise in which the non-voluntary license granted to that enterprise is worked, is transferred to another person, the non-voluntary license granted to the said enterprise may be transferred to such person.

(b) The national law of any notifying developing country may provide for the grant or availability of non-voluntary licenses where, without legitimate reason, the patented invention is not worked, or is not sufficiently worked, by the owner of the patent or under his authorization in the territory of that country within three years from the grant of the patent in that country. Where the national law provides for deferred examination for patentability and the procedure for such examination has not been initiated within three years from the filing of the patent application, the time limit referred to in the preceding sentence shall be five years from the filing of the said application.

(c) The national law of any notifying developing country making use of the faculty provided for in subparagraph (b) shall provide for an obligation requiring the person working the patented invention under a non-voluntary license to pay equitable remuneration to the owner of the patent. Where the owner of the patent and the licensee cannot agree on the amount of the said remuneration, it shall be fixed by a court or government authority of the country; in the latter case, the possibility of review by a court shall be ensured. The said national law may further provide that, once the government authority has fixed the remuneration, the fact that a procedure before a court has not yet been initiated or completed shall not prevent the licensee from working the patented invention.

(d) The national law of any notifying developing country may provide that the patent shall lapse or may be revoked where the patented invention is not worked, or is not sufficiently worked, in the country before the expiration of two years from the end of the time limit applicable under subparagraph (b).

32. Ad subparagraph (d). Paragraph (3)(d) of the proposed draft text is, to a certain extent, inspired by paragraph (3) of Article 5A but it also differs from it in several respects. The similarity lies in the fact that both provisions contain a time limit of two years before which forfeiture (lapse and/or revocation in the proposed draft text) cannot take place. But whereas in Article 5A this time limit merely marks the beginning of the procedure of forfeiture or revocation, is counted from the expiration of the grant of the first compulsory license and is available only where compulsory licenses were not sufficient to prevent the abuses referred to in Article 5A(2), in the proposed draft text the time limit concerns the lapse or revocation itself (rather than the initiation of a procedure directed thereto), and such lapse or revocation may take place even where no compulsory licenses were granted, nor is there any question of abuse since--as has been indicated above (see paragraph 26)--the proposed draft text does not use the notion of abuse. The said differences give more freedom to the national laws of developing countries (which make use of the proposed draft text) than Article 5A: lapse or revocation need not be preceded by compulsory licenses or the proof that compulsory licenses would not have been sufficient to prevent an abuse and the time limit is, in fact, shorter. Incidentally, the absence of any reference to abuses in the proposed draft text does not mean that developing countries cannot provide sanctions against them. National laws do provide such sanctions today, albeit generally outside the patent law, mainly in laws on restrictive business practices (for example, the anti-trust laws of the European Communities and the United States of America) or in laws on the screening of license contracts (for example, in several Latin American countries).

PRESENTATION BY
HAROLD LEVINE
ASSISTANT VICE PRESIDENT
AND GENERAL PATENT COUNSEL
TEXAS INSTRUMENTS
DALLAS, TEXAS
AND PRESIDENT OF PIPA

at

THE 7TH INTERNATIONAL CONGRESS
OF PIPA

HAKONE, JAPAN

NOVEMBER 10, 1976

"REVISION OF THE PARIS PATENT CONVENTION -----
PREFERENTIAL TREATMENT DEMANDS
WITHOUT RECIPROCITY AND UNANIMITY
VS QUALIFIED MAJORITY"

GOOD MORNING.

My topic this morning on this panel discussion involves two very key and fundamental issues both of which go to the very heart and bedrock of the Paris Patent Convention - the first is so called preferential treatment without reciprocity and the second deals with Unanimity vs. Qualified Majority for making changes and amendments to the Paris Patent Convention .

The first topic - preferential treatment is part of the package of demands by the Developing Countries by which they hope somehow to quickly and magically catch up with the developed countries - This involves the developed countries making a special deal for applicants of developing countries whereby the applicants pay only one-half the normal fees and get a one-half longer period for priority. This discount and special deal of course if not to be available to the nationals of the developed countries and this again as if by magic and without hard work or risk capital will somehow give the developing countries, they think, the impetus to catch up with the developed countries. In plain language, English or Japanese, I think this is nonsense. The very foundation of the Paris Convention is equal and fair and uniform

treatment for all and the key word is all applicants of member states particularly in the area of fees and requirements for the benefits of priorities. There are many other reasons why the demands are not practical or palatable, and I will take the liberty of reading to you some comments from the N. Y. Patent Law Association with which I fully agree.

> " The view of all concerned is that we strongly oppose introducing preferential treatment to nationals of any member state with respect to nationals of another member state. It is believed that the suggested revision would be unwise and would result in an undesirable erosion and very likely destruction of a fundamental principle of the Convention, namely, a guarantee by each member state of equal treatment to both its own nationals and non-nationals. It is also believed that revision of the Convention is not the proper vehicle

for addressing possible wrongs suffered by undeveloped states.

If financial subsidies for inventors of emerging nations may be deemed desirable, such subsidies could better be provided on a direct state-to-state basis, rather than by preferential fee treatment of certain classes of applicants for patent, which in the case of the United States would impose a disproportinate burden upon other applicants (rather than upon the United States as a member state), in view of the policy of having the U. S. Patent and Trademark Office largely self-supporting.

With respect to preference in priority period, any advantage to nationals of an emerging nation from a longer priority period will be partly at least realized from the Patent Cooperation Treaty, which has the positive benefit

of being applicable without discrimination. The existence of different priority periods for different applicants would cause excessive complication and uncertainties, and may well create an invitation for filings by dummy applicants on behalf of nationals of nations not granted this special privilege. Any disadvantages being suffered by emerging nations in regard to time requirements for developing or appraising inventions could better be satisfied by more direct technological assistance through other channels, and in individual cases.

In summary, the possible benefits to be derived by the proposal for preferential treatment seem more appropriately attainable through other courses of action, which would not jeopardize the long-established and, we believe, fundamental principle of

equal treatment of all nations and their nationals. This Association therefore strongly urges the U. S. delegation to oppose vigorously and steadfastly any proposal whatever for preferential treatment, not only as to fees or priority period."

It was further pointed out to me at a State Department advisory panel briefing which I attended in Washington last week on this subject, that if we yield and accede to these demands we will have problems with the favored nations type clause that we have in treaties with other countries - the result would be - chaos - confusion and very expensive complication - hardly worth it - for the modest and imagined benefits to be gained. There has been some discussion of another approach to give relief to poor inventor patent applicants. I believe if a member state wishes to provide charitable relief to indigent patent applicants of its own state or other states that should be decided by the state wishing to provide the charitable relief. Each state presently has the unilateral right to disburse its assets

in any way it chooses and it doesn't require amendment to the Paris Patent Convention to confirm that right.

Turning now to the matter of Unanimity, I refer you to the WIPO working document PR/PIC/I/3. I would like to refer to and quote a portion of that document as background for this discussion.

" Unanimity. As far as the requirement of unanimity (in the sense that no negative vote is cast) is concerned, its main advantages seem to be that it encourages the seeking of solutions acceptable to all the countries having the right to vote and that it makes it likely that all countries which participated in the (unanimous) decision would feel morally bound to ratify or acceed to the revised Convention. Naturally, this moral obligation is a relative one since the views of the legislative branch of the government which in most countries will have to

endorse ("ratify") any agreement given by the executive branch (under whose instructions the country's delegation votes in the revision conference), may differ from the views of the executive branch. This moral obligation may furthermore be mitigated if, after the revision conference, there is a change in the policy and/or the composition of the executive branch or legislative branch of the government.

The principal, if not the only, disadvantage of a unanimity requirement is that a single member country may prevent the adoption of an amendment desired by all the other member countries.

Qualified Majorities. The assignment given by the Group of Experts calls for the consideration of the following kinds of qualified majorities:

(i) three-fourths (or 75%)

(ii) four-fifths (or 80%)

(iii) "other variants up to nine-tenths" (five-sixths would give 83.3%; six-sevenths, 85.7%; seven-eights, 87.5%; eight-ninths, 88.9%; nine-tenths, 90%). Annex III shows the number of votes required in each of these cases.

In this connection, it may be interesting to note--because countries belonging to the same "group" (according to UN parlance) sometimes vote in the same way--that, of the 84 member countries of the Paris Union at the date of October 1, 1976, 50 (that is 60%) may be considered as "developing" countries, 28 (that is 33%) as "developed market economy" countries, and six (that is 7%) as (Eastern European) "Socialist" countries."

Although there is no specifically formal written rule in the Paris Convention requiring Unanimity for Amendment of the convention the time honored rule that has been followed since the beginning has been Unanimity -- and it has worked -- and it has worked well for all countries - developed and developing -- as well as during those periods when some of the member states were in a transitional stage from developing to developed or even from Developed to Developing as is occasionally the case as with Canada who now professes to be a developing country. Making changes so fundamental as this one must be done very soberly and with great attention and analysis of the hoped for benefits (real or imagined) versus the costs and risks which are unfortunately more real than imagined. We must carefully weigh these considerations objectively and without the passion of political rhetoric. I believe when you have weighed these considerations you will inevitably come to the conclusion that it is folly to tinker with a time honored, time tested and proven valuable policy such as unanimity.

I would now like your indulgence and I would like to read to you an excerpt from a recent letter by the New York Patent Law Association to the U. S. Commissioner of Patents eloquently outlining the views of the New York Patent Law Association with

which I fully agree.

"Document PR/PIC/1/3 accompanying your August 18, 1976 letter relating to this question of "Unanimity vs. Qualified Majorities" has been considered by our committees and our Board of Governors and we have reached the conclusion that any departure from the time-honored rule of Unanimity should be strongly opposed. We would also recommend that any system of Qualified Majority Voting, if ultimately adopted (against the opposition of the U. S. A. and other developed countries) should be at a very high ratio, such as nine-tenths, and should necessarily include provision for the weighting of the votes from the various countries to reflect the degree of usage of industrial property rights in each country involved.

At the outset, it will be recognized that the ultimate objective of a revision conference is to develop and agree upon a set of proposed amendments which are to be included in a revised text, -- which text will thereafter actually be adopted and ratified by the countries of the Union that are to be affected thereby! Obviously, if a proposed revision is eventually not adopted by several countries because such countries do not agree with one or more of the proposed amendments, the universality and uniformity in the application of the Convention will soon be destroyed, and the issuance of the controversial revised text by the Revision Conference will have done more harm than good.

Throughout the long history of the Paris Union, the salutary effect of the Unanimity Rule in the adoption of a proposed amendment has been amply demonstrated. In each successive Conference, a number of amendments were proposed, some of which had obviously

beneficial international effects with respect to industrial property rights in each member country. Such amendments, under the Unanimity Rule, were included in a proposed revision, and such revision was generally adopted thereafter by the vast majority of the member countries. Other proposed amendments, while satisfactory to a great majority of the countries, had serious adverse effects with respect to industrial property rights in a few member countries, and such amendments were either not included at all or were included in a later revision when such adverse effects upon these countries had dissipated or their objections met. While this may have somewhat delayed the process of revision, it has insured the virtual universality of application, and the great legal and moral effectiveness, of the successive texts of the Convention which were adopted.

In this connection, it should be recognized that the Unanimity Rule protects all countries, regardless of their stages of industrial

development, and regardless of whether they process over 100,000, or less than 100, patent and trademark applications each year. However, once a country is not absolutely protected by the Unanimity Rule against an undesired amendment which may be favored by even a "Qualified Majority," the "weight" of its adverse reaction (and likely refusal ultimately to adopt a proposed "revision" which includes this undesired amendment) must be taken into account. Obviously, a failure to ratify a revision by only a very few major industrial countries, which together may process over 50% of the world's patent applications, will have a much more deleterious effect upon our international patent system than a similar failure to ratify by several developing countries which together may process less than 1% of the world's patent applications. Therefore, if a system of "Qualified Majority" voting is to be adopted, it must include provisions for an appropriate

"weighting" of each vote cast.

The manner by which such "weighting" should be accomplished will, of course, require much thought and study. One relatively simple way might be to require that any proposed amendment that is approved by a "Qualified Majority" must include the votes of all countries processing more than 10,000 patent and trademark applications per year (according to the latest WIPO statistics). Alternatively, for example, each country might be given one additional vote for each 10,000 such annual patent and trademark applications above the initial 10,000.

Accordingly, if it appears that a system of "Qualified Majority" voting is to be adopted, it is recommended that the U.S. delegation seek a highly qualified majority, such as nine-tenths, and that it also seek to insure that any system of "Qualified Majority" voting be based upon votes that are "weighted"

so as to reflect the usage of industrial property rights in the country voting. The Director General of WIPO might also be asked to study and report upon various alternative methods for accomplishing such "weighting" of the votes cast."

I would also like to read you a brief statement of position on this subject eloquently written by Mr. Bart Kish of Merck & Co. in a recent letter to the U. S. Commissioner of Patents with which I also fully agree.

" We fully support the position of the United States delegation that the time-honored system of unanimity with regard to the revision of the Paris Convention be maintained. Amendments to the Convention unanimously arrived at carry with them the moral pressure for ratification by the member countries, and this should not be underestimated. We are reluctant even to consider moving away from the unanimity rule but if adoption of a majority rule is unavoidable then it must be a very highly-qualified majority such as 9/10 (90%) or, at the very least, 4/5 (80%). With respect

to the tables annexed to the WIPO document, one must bear in mind that they are based on the present membership of the Paris Union, i.e., 85 countries. Since there 60-odd (mainly developing) additional member countries of the U.N., and assuming that a large number of these will join the Convention, then the tables on the basis of which the size of the voting blocs can be predicted, might change drastically."

This concludes my formal remarks on these two very important issues confronting us today. I will be happy to entertain any questions.

Thank you for your kind attention.

END.

HL/bb
3/11/77

REMARKS CONCERNING INVENTORS' CERTIFICATES

PIPA 7th INTERNATIONAL CONGRESS
November 9-11, 1976
Hakone, Japan

E. W. Adams, Jr.
Patent Attorney Director
Bell Laboratories
Holmdel, New Jersey

One of the key issues which has been and will remain the subject of discussion at all of the meetings on the revision of the Paris Convention, arises from a proposal by the U.S.S.R. which would amend the Paris Convention to equate inventors' certificates to the traditional patents for all purposes.

Viewed against the background previously discussed, this issue assumes very substantial importance because its resolution may well determine whether the Socialist Bloc countries will support the Developing countries or will at least not oppose the B-Group or Market Economy countries as to other basic issues.

One of the fundamental features of the Paris Convention as it stands today is the reciprocity provided under Article 2 which speaks in terms of protection afforded nationals of member countries as regards industrial property and of legal remedies against infringement of their rights. Under the Soviet proposal an inventors' certificate would become the full equivalent of a patent for all purposes despite the fact that, aside from form and contents of the disclosure, the inventors' certificates bear little similarity to patents.

Although there are various kinds of inventors' certificates available in the Socialist Bloc nations at the present time and more so-called inventors' certificates are being introduced into

the laws of Developing Countries, all of them differ significantly from the conventional patent. The traditional patent as provided in the Market Economy countries and in many of the countries which have parallel systems affording both patents and inventors' certificates give the inventor an exclusive right for a limited period of time which he may exploit either through his right to exclude or to license others. At the end of the limited period of exclusivity, use of the invention insofar as that inventor is concerned, becomes free to the world.

On the other hand, very different characteristics are possessed in common by the various forms of inventors' certificates. Such certificates amount to an immediate, exclusive license to the state to exploit the invention, leaving no right in the inventor except the right to be recognized and to be compensated if the invention is used. Inventors' certificates exist without limitation as to duration and there is no procedure for contesting or invalidating an inventors' certificate once it has issued.

This fundamental distinction was recognized when the Stockholm Revision of the Paris Convention was agreed to in 1967. Among other things, this revision introduced the concept of Inventors' Certificates into the Convention for the first time but under carefully limited conditions. Inventors' certificates were recognized as sufficient priority documents under the Convention provided that the inventor, when seeking

protection in a country having both patent and inventors' certificate systems had complete freedom of choice as to which form of protection he wished to obtain. Thus, if a country were to decide to abolish patents and rely entirely upon inventors' certificates or to issue only inventors' certificates for certain technologies, the possibility of using the inventors' certificate for priority purposes under the Convention was denied.

Although there are still arguments as to the exact meaning of the Stockholm Revision language, the United States Patent & Trademark Office, as an example, requires that any applicant seeking to rely upon an inventors' certificate as a priority document must show that not only did he have a free choice as to whether he would apply for an inventors' certificate or a patent, but also that this choice was available as to the subject matter of the claims now sought to be patented in the United States. Mere freedom of choice as to other subject matter is not believed sufficient by the United States Patent & Trademark Office.

Absent the freedom of choice as to the form of protection as to the subject matter of interest to the applicant, the very substantial differences between the characteristics of inventors' certificates and patents makes the reciprocity in protection of industrial property guaranteed under Article 2 of the Convention meaningless if not impossible. Thus, the proposal of the Soviet Union constitutes a major attack

upon a national treatment which is a fundamental feature of the Paris Convention and in its present form should be and must be opposed. Not only must it be opposed in order to preserve the principle of national treatment, but also it must be opposed because it would encourage emerging nations which may have Socialist leanings to establish systems of intellectual property protection under which they could discriminate against nationals of the Market Economy countries while at the same time claiming the advantages of the national treatment principle for their nationals when taking advantage of the established patent systems of the world.

OPERATING UNDER THE FORTHCOMING PATENT COOPERATION TREATY & EUROPEAN PATENT CONVENTION

(From the U.S.A. Viewpoint)

Martin Kalikow

Committee No.3

Gentlemen, in this talk I would like to discuss with you some of the probable effects of the forthcoming ratification and implementation of the Patent Cooperation Treaty and the European Patent Convention. I will not discuss the Community Patent Convention at this time because it does not appear that this Community Patent Convention will be ratified until many more years have passed, if ever. In this discussion, I thought it might be useful to you if I described how a USA company, such as our General Electric Company, expects to use the new routes for patenting which are being made available under the PCT and the EPC (which it appears will really be put into effect within the next few years). It will be appreciated that many of the same considerations which I will describe in this paper in connection with our U.S. and European cases may also apply to Japanese companies in connection with their Japanese and European cases.

First, let me briefly describe my understanding of the principal provisions of these two treaties. (Two charts have been attached as an Appendix to this paper which outline these principal provisions.)

The PCT will be administered by the World Industrial Property Organization, WIPO, headquartered in Geneva, while the EPC will be administered by a European Patent Office to be built in Munich. This European Patent Office will also have a branch at the Hague, which will incorporate the existing International Patent Institute (commonly called the IIB). The European patent applications under the EPC will normally be searched at the Hague and examined at Munich.

The new mechanisms provided by the two treaties will be as follows:

1. Under the PCT, a single "international patent application" will be turned into a bundle of national patent applications in such countries as the applicant designates, with a search report attached. In the U.S.A. this search report will be generated by the U.S. patent office as an "International Searching Authority" and will be the same search report normally generated in the prosecution of the U.S. application.

The applicant will have 20 months to complete these national patent applications, by translations, etc., in the various designated foreign countries.

2. Under the EPC, a single "European Patent Application" examined and prosecuted through the European Patent Office (EPO) will result in a bundle of national patents in the member European countries designated by the applicant. This European application may be filed by any applicant from any country either directly in the EPO or via an "International Application" filed under the PCT.

It should always be kept in mind that it will not be essential for us to operate under either or these treaties. For the forseeable future, we will still be able to obtain individual national patents in all European countries on the basis of individual national patent applications, as at present.

Now let us turn to the more important provisions of the EPC.

First, let's consider languages. A European patent application may be in English, French or German, and the language chosen becomes the "language of the proceedings" used throughout the prosecution to grant. There is no requirement for translation during such prosecution except that accepted claims are published for opposition in all three languages. In addition, any designated European country may, when the application is ready for grant, demand a translation of the whole specification into its own language.

Now let's look at the principal requirements of the European Application itself. Patentable subject matter includes any invention susceptible of industrial application which is new and involves an inventive step - except for the usual exclusions relating to scientific theories, computer programs, plant or animal varieties, etc. The invention must be new and unobvious over "the state of the art", which includes everything made available to the public anywhere in the world by written or oral description, by use, or otherwise. Claims should be in the Germanic form, with a preamble setting forth the known features followed by a characterizing part setting forth the novel features.

A typical filing procedure for a U.S. originated invention under the PCT and the EPC would be as follows:

1. The U.S. patent application would be prepared and filed as at present, preferably using the Germanic form of claims.

2. Before the end of the 1 year priority period, the U.S. application would be converted under the PCT into an "International Application" claiming the priority of the original U.S. application.

3. At that time several important decisions would need to be made with respect to the designation of countries in which a patent is wanted.

Obviously, the United States would almost always be one of the designated countries.

With respect to the European countries, it would be necessary to reach a further decision as to whether we wish to go the EPC route or the national route. If we decide to go the national route, those European countries would be directly designated, as desired. If, however, we wish to go the EPC route, we must so indicate, and also designate the European countries to which the European patent application is to apply. However, if this EPC route is selected, it may be advantageous to be quite liberal in the number of countries designated since it will always be possible to withdraw the designation for any country at any time until final grant.

It should be recognized, however, that it will not be essential to go through the PCT, as described above, in order to file a European patent application under the EPC. If desired, before the end of the one year priority period we can file a European Patent Application in Munich directly claiming the priority of the U.S. or Japanese case and designating the various European countries in which patents are wanted.

Turning now to the actual processing of the European patent application, it will be searched either in the U.S. Patent Office, if the PCT is used, or in the Hague if the European application is filed directly. In either case, the application will be published within 18 months from the priority date and a search report transmitted to the applicant and to the European patent office in Munich. If the applicant wishes to proceed he must pay an examination fee within six months from the date of the search report. Examination and prosecution to allowance will be substantially in accord the present Germanic practice.

An application allowed by the EPO will be published again for opposition and will be subject to such opposition by any party within nine months thereafter on the usual grounds. Any party can require an oral hearing.

Any patent finally obtained through the EPO for any individual country can be attacked and revoked or amended in the national court or patent office of that country in the same way as any other national patent. However, grounds for any such attack must be those set forth in the EPC.

Let us turn now to the subject of the enforcement of European patents. Infringement actions involving European Patents, will be handled by the national courts, each applying its own rules, and will have effect only for the country involved. If national court rules permit (as, for example, in England) a counterclaim can be made for revocation of the European patent for that country.

The scope of protection to be given by the claims of the European patent is intended to be intermediate the "literal" interpretation of the British practice and the "broad inventive concept" interpretation of the German practice. In effect, therefore, the scope of protection will be similar to that now provided under the U.S. practice with its doctrine of equivalents. In addition, a process claim will also cover the direct product of the process.

Since the European patent will result in a bundle of national patents, the remedies available under the European patent in each country will depend upon the national law, and be the same as the nationally derived patents. However, under the EPC, simultaneous protection of a single invention by both a nationally-derived patent and a European patent may be permitted by any country.

So much for the main provisions of these two proposed treaties. Now let's briefly examine how their implementation is likely to effect our foreign patent patent procurement and enforcement programs.

The first decision with which we will be faced is which of four routes to take in obtaining patents in European Countries as follows:

1. The direct national route - as at present.
2. The PCT to national route
3. The EPC route.
4. The PCT to EPC route.

The major factors to be considered in reaching this decision are, (1) location of search, (2) time required for making foreign filing decisions, (3) the number of countries for which protection is desired, (4) language of the proceedings (5) filing, translation and maintenance costs, (6) likelihood of obtaining the patent and (7) uniformity and

scope of protection desired. Each route has certain advantages and disadvantages.

If the direct national route is followed, the patentability decision will be arrived at independently in each country, and the claims can be best tailored to meet the patent laws of the particular countries selected, but none of the avowed advantages of the other routes are present.

If the PCT route is followed, the U.S. search becomes the basis for examination, and the time for reaching foreign filing decisions can, in effect, be delayed until the 20th month after U.S. filing.

If the EPC route is followed, the language of the proceedings will be English, a single patentability decision will be effective for all European countries, the costs of translation of the specification can be deferred until the patent is finally granted, and all countries can be initially designated for little extra cost. However, it may not be possible to tailor the claims of the single European Patent application to meet or take advantage of the specific patent laws, or procedures of the various designated countries, and the filing and maintenance costs while in the application stage are expected to be substantially higher than that for any single national parent. In addition, all the eggs are in one basket, and it may not be possible to convert a refused European Patent application into a national application in most European countries.

Taking all these factors into consideration, we will probably decide to continue with the present national route either directly or through the PCT in most cases where we are filing in less than three European countries. We will use the PCT route in those cases where we need or would like more time to make the foreign filing decisions. Where most than three European countries are involved, the decision whether to go the EPC route will be made on a case by case basis and will depend upon many factors including the specific nature and importance of the invention involved, including its patentability, etc., and the specific commercial situation in Europe relating to the invention. In some cases we may wish to seek both national patents and European patents in some of the same European countries.

Let us consider a couple of examples. Presume that an invention of considerable, but not major, commercial importance has been made which is novel but only involves a modest inventive step. Under such circumstances we would probably merely directly file, just as we do today, a narrow patent application in Japan, convertible if necessary to a utility model,

as well as similar narrow patent applications in the major European Countries such as England, France and Italy where a high standard and rigorous examination as to inventive step is not involved. We would probably not seek patents in the Germanic or Nordic countries.

On the other hand, let us assume that a major importance, obviously patentable invention has been made for which we want patent protection in at least all of the major industrial countries, as well as a few of the developing countries. Here we would probably convert the U.S. application into an international application under the PCT in order to gain the benefit of extra time for final filing decisions, as well as the advantage of a U.S. search report. We would initially designate any and all countries where we might conceivably want patent protection. As far as Europe is concerned, we might designate that we want national patents in certain very important countries, such as England, France and Germany, and simultaneously designate that we want a European patent covering substantially all countries of Europe including England, France and Germany.

When the 20th month deadline was reached, we would complete the European patent application under the EPC, as well as the British, French and German applications and all the other national applications in the other countries as desired. These British and French cases would be prosecuted as fast as possible so that patent protection would be obtained quickly with claims best calculated to meet the requirements of the national patent law. The German application might either be deferred or examined, depending upon the commercial situation.

The European patent applications under the EPC would also be prosecuted, in English, until grant, leaving standing during such prosecution the designation of substantially all countries of Europe. In this way, maximum interim patent coverage in all the designated European countries would be obtained for fairly low cost. Once the patent was finally granted, the decision would then be made whether or not to keep the resulting European patent alive by translation and payment of maintenance fees in the various European countries designated.

We would also then need to make the decision whether or not to continue to maintain the national patents we had already obtained on the same invention in England and France and in any other European countries. In this connection, it should be noted that it may not be completely ridiculous to continue to maintain both a national and a European patent

in a country such as England, where the novelty requirements under the British law are different than under the EPC; or in France, where the interpretation of claims may be broader under the French law than under the EPC. However, if we decide to drop the national patent when the European patent is granted we will still not have lost our entire investment, since the translations previously made for our national patents will be usable to a great extent for our corresponding European patents in the same countries.

Well, these two examples merely illustrate opposite ends of the spectrum. There are obviously many different strategic combinations between these extremes that you may wish to use in a specific situation.

Nevertheless, it will be appreciated that the European patent will have significant advantage if multi-country coverage is desired in Europe; and if successfully implemented by the new European Patent Office, this European patent will probably be used to a considerable extent by GE and other American companies.

Again, please excuse me for discussing this complicated subject only from the U.S. viewpoint. However, I hope this discussion will nevertheless have been of some value to our Japanese friends.

Martin Kalikow
October, 1976

ANALYSIS OF PATENT COOPERATION TREATY (PCT) AND
EUROPEAN PATENT CONVENTION (EPC)

APPENDIX

CHART #1

ADMINISTRATION

PCT - BY WIPO (GENEVA)
EPC - BY EPO (MUNICH) WITH BRANCH AT HB (THE HAGUE)

NEW PROCEDURES

PCT - SINGLE INTERNATIONAL APPLICATION BECOMES BUNDLE OF NATIONAL PATENT APPLICATIONS

-- WITH SEARCH REPORT ATTACHED

- 20 MONTHS TO COMPLETE NATIONAL APPLICATIONS

EPC - SINGLE EXAMINED EUROPEAN PATENT APPLICATION BECOMES BUNDLE OF NATIONAL PATENTS

LANGUAGES

- o ENGLISH, FRENCH OR GERMAN
- o NO TRANSLATION DURING PROSECUTION
  - ACCEPTED CLAIMS PUBLISHED IN 3 LANGUAGES
- o TRANSLATION OF ENTIRE CASE MAY BE REQUIRED AT GRANT

EPA REQUIREMENTS

- o INVENTION MUST BE NEW, UNOBVIOUS, INDUSTRIALLY APPLICABLE
- O CLAIMS IN GERMANIC FORM

ANALYSIS OF PATENT COOPERATION TREATY (PCT) AND EUROPEAN PATENT CONVENTION (EPC)

APPENDIX

CHART 32

TYPICAL PCT - EPC FILING PROCEDURE

- o U.S. APPLICATION PREPARED
- o CONVERTED TO INTERNATIONAL APPLICATION UNDER PCT
  - EPC ROUTE SELECTED WITH COUNTRIES DESIGNATED

PROCESSING OF EPA

- o SEARCHED BY HB; UNLESS IF VIA PCT, BY U.S.A.
- o PUBLISHED WITHIN 18 MONTHS WITH SEARCH REPORT
- o EXAMINED BY EPO (MUNICH)
- o PUBLISHED FOR OPPOSITION
- o 9-MONTH PERIOD TO LODGE OPPOSITIONS

REVOCATION

- o BEFORE NATIONAL COURTS
- o GROUNDS SET FORTH IN EPC

INFRINGEMENT

- o HANDLED BY NATIONAL COURTS, APPLYING NATIONAL PROCEDURES
- o SCOPE TO BE GIVEN TO CLAIMS - SIMILAR TO U.S.A.
- o REMEDIES - UNDER NATIONAL LAW
- o CO-EXISTENCE OF NATIONAL AND EUROPEAN PATENTS ON SAME INVENTION PERMITTED

RECENT DEVELOPMENTS IN JAPAN IN CONNECTION WITH THE PATENT COOPERATION TREATY

November 10, 1976
PIPA Hakone Meeting
Japanese Group Committee #3
Reporter: Takashi Okabe

Abstract:

This report summarizes various activities in connection with the PCT in Japan which have become more active in this year and includes discussions about the patent law modifications which will be necessitated to implement the PCT.

1. Introduction

In 1966 the United States requested to study practical means which would reduce the duplication of effort involved, both for applicants and national Patent Offices, in the filing and processing of patent applications for the same invention in different countries. This study matured to the PCT today. It is just ten years since the United States made such a request. Reviewing the present world-wide status surrounding the PCT, eight developing countries in Africa have adhered to the PCT, and as to developed

countries with major patent activity the United States in November 1975 and West Germany in July 1976 ratified the Treaty. According to the provision of Article 63 of the Treaty, it will become effective three months after the two more countries with major patent activity have ratified the Treaty. In view of the above we think the Treaty will come into force within next year at earliest or some time in 1978 probably.

In these circumstances various movements concerning the PCT in Japan have become active. At this moment it is said that Japan will ratify the Treaty some time in 1978. I would like to summarize in this report the recent activities toward the implementation of the Treaty and to discuss important points related to the patent law modification.

The United States and West Germany that already ratified the Treaty completed the patent law modifications to implement the Treaty in the Public Law 94-131 and the Law concerning the PCT dated June 21, 1976, respectively. As to the patent law modification in Japan, we can make reference to those laws in the United States and West Germany. However, since there are some problems particular to Japan, we have to review the situation carefully.

As to the Chapter II of the Treaty for the International Preliminary Examination, Japan would not adhere to it, taking the same position of the United States. The Patent Office of Japan has an intention to become a International Searching Authority.

2. Various Activities Concerning the PCT

I would like to briefly introduce the outline of movements in connection with the PCT in Japan.

(1) The PCT Sub-Committee under the Industrial Property Council

The PCT Sub-Committee consisting of 17 members such as patent specialists, patent practitioners and representatives of industries was formed and started this June to make its proposal for patent law modifications to implement the PCT. This PCT Sub-Committee commenced its activity this September and is scheduled to have about 15 meetings in total on twice a month basis. It is expected that the proposal of the Sub-Committee will be available by June or July in 1977. On the basis of the Sub-Committee's proposal, the Industrial Property Council will finalize the patent law modification proposal by around October, 1977 to submit to the Congress. We expect the modification bill will pass the Congress

in or around spring of 1978. Of course, this schedule is only the best estimate at this moment.

(2) PCT Delegation

The PCT Delegation was formed for investigating and checking the PCT situation in foreign countries. The delegation has just left Japan for Europe. The delegation consists of representatives of the Patent Office, AIPPI, Japan Patent Association and Invention Association. It has 22 members. The delegation will visit Patent Offices and Patent related organizations in Europe and in the United States in its three weeks' schedule.

The delegation is supposed to investigate or study the following among others:

- The Present Status of the patent law arrangements for implementation of the PCT in respective countries.
- Interpretation of certain provisions of the Treaty or the Regulations.
- The time schedule of the ratification of the PCT (and EPC, CPC) in respective countries.
- Preparation of the Documentation required by the PCT for the International Search.

The report of the delegation is to be submitted to

the PCT Sub-Committee as soon as it returns home. And, the report may be valuable to the Sub-Committee in the course of its discussions about the patent law modifications.

(3) Improvements of the Patent Office functions and facilities

There are two important points as to the Patent Office function and facility improvements. First, the Patent Office has to speed up the examinations including clerical procedures. As you know the examination period in the Patent Office is considerably long and the average period is about three years counting from the request for examination and ending at the final disposal of applications. The Patent Office will further promote its previous plan to shorten this period to two years. In order to smoothly process the international applications based on the PCT, it will be most important to shorten the present examination period including the clerical procedures.

Second, the facilities and functions for the international search have to be well organized. The completion of the minimum documentation required by the Treaty along with the rearrangement of the Patent documentation according to the international classi-

fication will be the very important and time consuming work. The Patent Office has an intention to utilize the secondary documents as scanning tool for searching patent documents written in foreign languages. With regard to patent documents in Japanese, the primary documents will be searched directly as ever.

According to the provision of Rule 34 of the PCT Regulations, when the abstract in English is not available for Japanese patent documents, the International Searching Authorities in foreign countries are not obligated to search Japanese patent documents. Therefore, it is most desirable to make the English abstract for Japanese Patent documents available to the public as early as possible. The Patent Office has a plan to prepare such abstracts for the laid-open patent applications from January, 1977.

(4) PCT Committee in Japan Patent Association

The Japan Patent Association, association consisting of the corporate patent-concerning people, formed the PCT Committee this April. Incidentally, I am a member of the Committee. The Committee is expected to perform functions such as familiarizing member companies with advantages and procedures of the PCT and making comments on the patent law modifi-

cations in relation to the PCT implementation from the view point of applicants. The Committee published recently the article concerning the PCT including the flow chart and the outline of procedures in "Patent Management". The PCT Committee will continue its activities until the PCT is brought into orderly operation.

3. Patent Law Modifications for Implementing the PCT

Upon joining the PCT, the Patent Office will accept the functions of a Receiving Office, a Designated Office and an International Searching Authority. Among these, the authorization to become a Receiving Office and an International Searching Authority will be given by the law governing the Ministry of International Trade & Industry. The functions of the designated Office including the procedures how to combine the international stage and the national stage will have to be stipulated in the patent law.

I would like to discuss in this report the items for which discussions at the PCT Sub-Committee under the Industrial Property Council are scheduled. Some of these items were already discussed at the Sub-Committee, but no conclusion has been reached yet.

(l) Translation of International Application and Matters related thereto

According to Article 22 of the Treaty, an international application will be put into the national stage when the translation is submitted and the national fee is paid to the designated Office normally within 20 months from the priority date. Though the application is to be processed under the national law after it has been transferred to the national stage, the transitional procedures from the international to the national stage will have to be newly prescribed in the national law.

a) Basis of national examination; translation of international application in its original language---The notes on Article 46 of the Treaty clarify that the translation can be used as a basis of examination without referring to the application in the original language. From the practical standpoint, this may be the only way to be employed. The question of discrepancy between the original and translated languages will be discussed later.

b) In case where the translation and the national fee are submitted after the expiration of the

20 months period---If the translation does not reach within the 20 months period, the application in Japan shall be considered as withdrawn. Other small defects in the procedure may be allowed to correct within the specified period.

c) In case where the applicant requires earlier examination under Article 23(2) of the Treaty ---It may not be necessary to prepare a special provision since there is the system of the request for examination in Japan. The applicant requesting earlier examination will have to submit the request for examination after the translation has been filed in the Patent Office.

d) The procedure in the designated Office for reviewing the refusal of according an international filing date or the status regarded as withdrawn under Article 25--- The review will be done upon a petition for such review by the applicant.

(2) Opportunity and Permissible Range of Amendments

Under Article 28 of the Treaty, an applicant is given the opportunity to amend the claims, the

description and the drawings after the application entered the national stage. In case the national law provides that examination starts only upon special request, the applicant shall be given the same opportunity for amendments as that permitted by the national law to the national applicant. (Rule 52. 1 (b)) Therefore, the following shall be clarified.

a) The period and procedures for amendments---For the present national application, amendments can be done within the period of a year and three months from the filing date and at the time of examination request. Since the international application is regarded as actually filed in the designated Office on the date of the international filing, the period of one year and three months for amendments has usually expired when the national stage begins. Accordingly, opportunity for amendments may be limitted to the time of examination request.

b) How to treat the amendments under Article 19 of the Treaty submitted after the national stage has started---There is a possibility that the amendments under Article 19 have to

be submitted to the designated Office after the national stage has started when the amendments of the claims before the International Bureau under Article 19 have delayed due to the late international search report. A certain provision will be required for this situation.

c) Permissible range of amendments---If the translation is regarded as the basis of examnation, amendments within the range of the translation may be allowed.

(3) Discrepancy between the Translation and the International Application in Original Language

Article 46 provides that if, because of an incorrect translation of the international application, the scope of any patent granted on that application exceeds the scope of the international application in its original language, the designated state may retroactively limit the scope of the patent to the scope of the original disclosure. And, the notes on the same Article clarify that the designated state may regard the portion as abandoned which is disclosed in the original international application but not disclosed in the translation. Accordingly,

the valid scope of the national patent may be limited to the common disclosure both in original and translated languages. In view of the above, the following should be considered.

a) In case where the scope of the patent is found to be broader than the original disclosure after the patent has been granted---In view of Article 46, it may be necessary to provide a partial invalidation trial system or a system equivalent to it.

b) In case where the translation is found to be broader than the original disclosure during the course of examination---It may be required to provide a procedure to accept the amendments by the applicant to limit the scope of the translation.

(4) Effects of International Publication

The international application is normally published after 18 months from the priority date by the International Bureau. Though the effects of the publication is generally the same as those of the national compulsory publication of unexamined national applications,the effective date of the international publication made in foreign languages can

be chosen by the respective state in accordance with Article 29 (2). Therefore, the following shall be clarified in the patent law.

a) Whether or not the republication in Japanese is required for the international publications in foreign languages after the Japanese translation is submitted to the Patent Office.

b) In case of above, when is the effective date of the publication?

(5) Abstract

No abstract is required for national applications in Japan. According to Article 3 of the Treaty, the abstract is regarded as one of the elements in the international application. Considerations shall be given as to what legal status is applicable to the abstract and whether or not the abstract shall be required even for the national application in the future.

a) Whether or not the abstract constitutes a part of disclosure---According to Article 3 (3), the abstract may be considered as just technical information rather than a part of disclosure.

b) Shall the abstract be required for national applications, too?---It may be desirable to

include the abstract for the search purpose.

4. Summary

We are going to face many alternative ways when we file an application for a patent, especially when filing in many countries for the same invention is intended. The PCT is one of the alternatives including Paris Convention System and European Systems. For selection of the most suitable system for respective cases, it may be necessary to accumulate our experiences in the new systems.

Some countries including the U.S. and West Germany have already ratified the PCT, and Japan has started its move. We have to make our best efforts to successfully implement the Patent Cooperation Treaty. I would like to emphasize that whether or not the PCT becomes successful is entirely dependent upon the efforts of all the people concerned.

DEVELOPMENTS IN INDUSTRIAL PROPERTY LAWS OF THE THIRD WORLD

John B. Clark
(Committee #3)

You are all aware of the evolving negative attitude in the developing countries concerning rights in intellectual property. The goal of these countries appears to be to industrialize, and to do this, they need technology from the developed countries. There is also an overtone in many parts of the Third World that they have been taken advantage of in the past, and laws are being considered and adopted which are intended to prevent the recurrence of such situations. The problem is that many of these laws are so restrictive as to discourage technology transfer, the very goal they are seeking to attain. In my comments today, I would like to reflect on what the developing countries have done and are doing to obtain their technology goals, and to leave the impression with you that some of the steps being taken or considered are counterproductive.

Different efforts are underway. First, as exemplified by countries such as India, Mexico, and

Argentina, the strength and value of the patent system is being seriously eroded, and other countries such as Canada and the Philippines are considering changes which will have a similar result. Second, the Third World countries are proposing amendments to the Paris Convention, which, if adopted, would substantially destroy the international system which has served the industrialized world well for many years. Others will speak on this subject.

In examining what steps are being taken, I will make a few comments on the new Mexican law since it contains many controversial provisions with respect to patents and trademarks. A basic change is the introduction of the concept of certificate of invention. This is a strong departure from the traditional patent grant which gives the inventor an exclusive right for a specific period of time. The protection afforded by a certificate is limited to the right to receive compensation for the use of the invention in accordance with terms approved and/or established by the Government, since, by definition, anyone can obtain a license. While it is still possible

to obtain Mexican patents in many areas of technology, protection in several important areas is limited to certificates.

The term of protection of either a patent or certificate of invention has been reduced to 10 years from grant. It is believed that this will discourage filing and commercialization of inventions, at least in those situations where 10 years is considered inadequate. In many high technology areas, the time from invention to profitable exploitation is increasing owing to many increasing complexities, and any concept based on the premise that this time span is decreasing is erroneous.

There is a forfeiture provision in the new Mexican law that is disturbing. If a compulsory license is not applied for or the patentee does not initiate working of the invention during the fourth year, the patent will lapse. This is not only contrary to the Paris Convention, but it will also inhibit commercialization, one of the primary purposes of the patent system.

Perhaps the most unsettling part of the new Mexican law is that a certificate holder -- and where there is a compulsory licensee, the patentee -- must not only license any party, but must also supply know-how. Failure to supply such know-how results in the loss of all rights.

The new Mexican law contains many other ill-conceived provisions, including compulsory licensing of trademarks, which I believe can only hinder the industrial development of Mexico.

Looking back in history, the country with the most dramatic increase in industrialization over a short period of time is Japan. Her technological progress during the past thirty years has no real equal. This progress was not the result of drastically changing or unreasonably administering its industrial property law to markedly favor Japan. Japan provided reasonable patent protection, and was and is willing to pay a fair price for valuable know-how. As a result, it now has an industrial base on at least equal footing with the best

of the developed countries. Further, Japan today is in a position to trade or sell know-how which it has developed in an environment conducive to such development. Had Japan reduced the protection period of patent rights, reduced the status of patent protection to that provided by a certificate, and made as a condition to prevent forfeiture the provision of know-how, would Japan today be as favorably positioned as it is? I think not.

I have only touched on a few of the problems but there are signs that this is only the beginning and that it could get much worse. Canada, for example, has proposed a law which in many respects is worse than the Mexican law. While I believe it is unlikely to pass in its present form, totally new concepts are being discussed and considered.

From all of this, I think you will agree that much is happening which is adverse to the interests of those involved with invention and innovation who want to invest or license technology to the Third World. The

question to be faced is what, if anything, can or should be done about it? To date, most of us have tended to ignore what is going on and hope for the best. Others have taken a more active role and are trying to convey constructive thoughts. Certainly we will all be more cautious when considering the transfer of technology to countries exhibiting an adverse climate. The political and economic forces at work are highly biased toward negative change in the system. While on occasion there is merit in what they are trying to do, for the most part there is an over-reaction, primarily for political reasons.

One might ask why the industrialized world should concern itself with the intellectual property laws of Third World countries? In most situations, it is the goal of the developing country to industrialize and this will come about only if the appropriate conditions are considered favorable. Where technology transfer is involved, sound industrial property laws often act as an incentive to encourage the transfer. By the same token, poor laws will often inhibit it. Thus, there is a degree of mutual

interest in adopting appropriate laws, and to the extent this is so, we should consider expressing our concerns.

A number of individual U.S. companies, as well as ad hoc groups of such companies, have begun to take this kind of action, and where appropriate, have encouraged their government to get involved. Three recent examples of such activity involve Taiwan, The Philippines, and Canada. To give you an illustration of what I am saying, the activity in Taiwan was the result of a rumor that the Taiwanese planned to change their law to exclude patent protection for new uses of chemical compounds. Since the proposed change was considered not to be in the best interests of Taiwan, several U.S. companies encouraged the State Department to react to the proposed change. As a result, the Ministry of Economic Affairs of Taiwan invited the U.S. Government together with several industry representatives to visit Taiwan and explain why the proposed changes were considered counterproductive. The meeting was held and it appears that the points made were well taken. The Ministry

expressed its appreciation for the comments presented and further requested that at the appropriate time, the U.S. Patent Office review and comment on a proposed new patent law which is presently being prepared. At the very least, a line of communications has been opened in this area.

In the case of the Philippines, a new law was proposed and industry representatives reviewed and commented on the proposal at the request of the State Department. The State Department sent an appropriate advisory memorandum to the Philippine Government. We learned recently that the Philippine Government has decided to delay implementation of the proposed new law indefinitely.

Finally, as to Canada, the Canadian Government invited the U.S. Patent Office, together with a small group of industry representatives, to comment on their proposed new law. This presentation was made two weeks ago; the Canadian Government representatives were appreciative, and we believe that many of the comments made

were favorably received. Perhaps they will have a positive effect on the final version of the Canadian law. Those who participated felt the meeting was worth while, and although I do not believe the task is completed, we have made a good start.

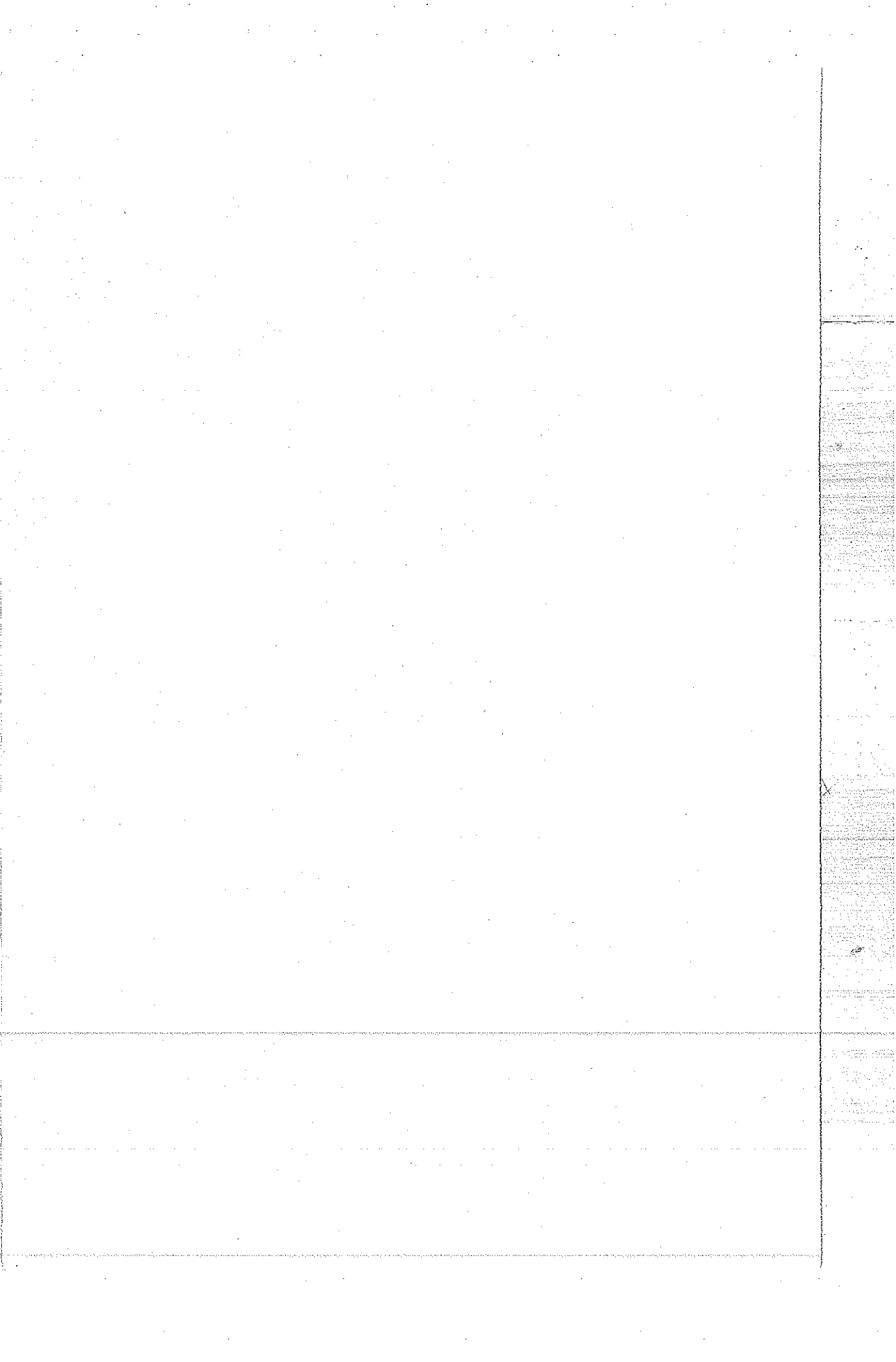
Now to my real motive for wanting to talk to you on this subject today. The Japanese, I believe, have a special credibility in developing countries when addressing these subjects. As I noted earlier, it is not too long ago that Japan was far from being the industrial power that she is today. I believe that one of the significant aids to Japan in accomplishing this feat was a strong patent system which encouraged the necessary technology transfer, as well as the development of its own technology. Those of you who believe this could join with others of us in trying to help the developing countries appreciate the reasons for maintaining a strong patent system, and perhaps you can be even more effective than we in the United States. While we feel we are aware of the advantages, you have experienced them recently and should therefore be more convincing. I am aware of some

of the activities of Matsui-san in this connection and I know they have been very helpful. It would be beneficial if others, both Japanese and American, could support these efforts. I would be pleased to discuss this subject with any one of you in more detail, either here or in St. Louis. If you have any questions, I will try to answer them. Thank you.

Committee Presentations
(Committee #4)

° Report of Committee 4, American Group.
--- P.Newman-----343

° (Guest Speech) A Study of Concilliation System.
--- S.Shinagawa--348



Pacific Industrial Property Association

Japan - November 1976

Report of Committee 4 - American Group

S U M M A R Y

The PIPA conciliation procedure provides a voluntary, non-binding method of facilitating settlement of disputes in the industrial property field. It applies to disputes involving patents, trademarks, copyright, knowhow, technical information, and trade secrets, and could involve license or other types of agreements, as well as validity and infringement questions; all to the extent that the PIPA conciliation coes not conflict with national legal requirements. The procedure is now being formally launched.

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Pacific Industrial Property Association
Japan - November 1976

REPORT OF COMMITTEE 4, AMERICAN GROUP

Pauline Newman, Chairman

Five years ago it occurred to some of the far-thinking members of this organization that PIPA could fill a very special role, and provide a useful service to our members. This is reflected in the procedure that has been proposed, that PIPA provide for a conciliation service, available to Japanese and Americans, to mediate disputes involving industrial property.

The Japanese and American groups have worked out the details together. Various unforeseen problems have arisen and have been resolved, such as questions relating to the need for representation by counsel. In the United States it is not required, for conciliation or even for arbitration - even though arbitration is binding - that parties be represented by counsel; although of course they often are. And we can foresee circumstances, in using the PIPA conciliation procedure, where the parties would want to be represented by counsel.

The chief advantage of conciliation is its relative informality: an open, unstructured, exchange of views. Conciliation is not extensively used in the United States in the industrial property area, although it is well established in other areas such as labor disputes. It seemed to us, in

PIPA, that it could have particular value in international patent and licensing disputes.

In working out this proposal, the PIPA committees followed some simple basic principles:

1. We sought a procedure that is not binding, and thus would encourage participation because there would be no penalty if the conciliation did not succeed.

2. We sought a procedure that would be simple to start, yet with enough Rules and guidance that the parties would know how to proceed.

3. The parties can always invoke their legal remedies. The law decides who is right and wrong, while conciliation seeks practical solutions.

4. The role of PIPA would be to help the conciliation get started, and then to withdraw.

Thus, proposed Rules and Regulations were published, developed after a study of existing conciliation procedures, but specific to industrial property.

We don't know how much use - if any - will be made of this conciliation procedure. It is purely voluntary. However, in the survey three years ago of the members of the Japanese and American groups, there was very strong interest in establishing such a procedure.

Conciliation is really a commercial device to enable an exchange of viewpoints. The parties can, if they wish, accept the compromises that usually result from conciliation. The parties can, if they wish, be represented by legal counsel during the conciliation or they can consult separately with legal counsel, to be sure they understand their legal alternatives.

The success of conciliation depends principally on the good will of the parties to a dispute. If they are sincerely interested in resolving their differences, this procedure should help. But if they wish to rely solely on their legal rights and remedies, conciliation should probably not be used at all.

PIPA believes that a formalized conciliation procedure, outside of the usual legal remedies for settling disputes, is particularly useful between parties of different countries. In the relationships between Japanese and American companies, it may happen that our different ways of doing business, our different legal systems, and our different language structure, could lead to misunderstandings that could best be settled by voluntary mediation if there were an easy way to do this; and thus avoid ill will, or litigation, that might be really unnecessary.

The cost of litigation in foreign countries is enormous to both sides. Many international contracts now invoke inter-

national arbitration. The PIPA proposal would enable international conciliation, as another choice available to parties involved with patents, trademarks, and knowhow rights. We believe that this choice can be useful, and we have at this Congress worked out the few remaining details.

This has been an effective cooperative effort between the Japanese and American groups. Mr. Teshima has carried a heavy burden, and before him Mr. Kanzaki, Mr. Matsui and Mr. Saotome. Among the Americans, Marty Kalikow - the father of conciliation - and Cornell Remsen have been leaders in this effort. We welcome all your participation and comments, and thank all of you for having helped Committee 4 to complete this assignment.

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A Study of Conciliation System

Translation of a lecture given by Mr. Sumio Shinagawa, Attorney at Law and Patent Attorney, at a conference held by P.I.P.A. in Hakone on November 9, 1976.

Pacific Industrial Property Association decided to establish a conciliation system in order to facilitate settlement of disputes concerning industrial property rights and announced rules and regulations thereof. Today, I wish to make a study on this conciliation system.

On September 14th, 1975 an informal meeting was held in Tokyo attended by judges from all over Japan. At this meeting, a joint report entitled "Just and Prompt Civil Trials" was made public, which was compiled by judges in the Kanto district (the area around Tokyo) who were interested in this cause. The object of a civil trial is, needless to say, to bring about a just settlement to a generally social dispute. In order to solve the dispute justly, not only the procedures for the settlement but also the conclusion thereof must be just, and, furthermore, the settlement should be made promptly. The joint report dealt with a subject which those who hold positions of judges have always felt deeply concerned about, namely, whether the actual civil trials respond to the above requirement. The report is a summary of study and debates on the problematical points related to the above subject. According to official statistics quoted in the said report in respect to the problem of prompt processing of civil trials, the number of cases accepted by District Courts in Japan during 1973 was approximately 95,000, and the numbers of settled cases and the pending cases were 96,000 and 110,000 respectively. According to the Annual Report of Judicial Statistics, the number of cases accepted by District Courts and Summary Courts for the first trial during the same year was approximately 150,000. On the other hand, the average period of the proceedings for an ordinary civil case at District Courts increased from 11·5 months in 1969 to 17·4 months in 1973. Number of cases, proceedings of which exceeded more than 5 years and were yet continuing at District Courts in Japan, increased from 5,656 in 1969 to 7,621 in 1973. In other words, according to these statistics, the average period of proceedings per one civil trial case has been increasing year by year, resulting in decreased rate of settlement and it is obvious that the number of cases pending for a long period is increasing. On the other hand, the legally fixed number of judges in 1973 was 2,688 as compared with 2,580 in 1969. Taking into consideration the increase of 53 caused by reversion of Okinawa to Japan in 1972, the actual increase in the number of judges was not much. This indicates that the just and prompt settlement of civil court cases is not an easy problem to solve.

According to the information contained in the abovementioned report, 38.7% out of the ordinary civil cases handled by the District Courts in Japan in 1973 were terminated by judgements, 31.3% by compromises and 26.5% were withdrawn. Since then, the ratio of cases terminated by compromises has been increasing year by year. Furthermore, the number of withdrawn cases is considered to have included a considerable number of cases which were withdrawn because of compromises reached outside the court while the proceedings were still continuing. Thus it is obvious that a fairly large percentage of the civil cases brought to the courts are settled by compromises.

Under such circumstances, judgement is not a principal means for settlement of civil cases heard by the courts but it is merely one of the means for settlement along with compromise. The Code of Civil Procedure of Japan stipulates in detail the procedure for judgement but, as to compromise, the stipulation can be found only in Articles 136 and 356. In actual civil trials, compromise plays an important role as one of the means to settle the cases along with judgement.

In addition to the abovementioned judgement and compromise, there are two other means of settlement, namely conciliation and arbitration, which are also accepted generally as legal procedure to solve civil disputes. In Japan, conciliation regarding a civil action is provided for by a law called the Civil Conciliation Act. According to a reply submitted to the Supreme Court on March 26, 1973 by Tentative Council for Conciliation System, which was established in 1971 within the Supreme Court in order to investigate and deliberate remedial steps urgently needed in the conciliation system of civil and domestic actions, approximately 52,000 cases for civil conciliation were accepted by the courts in 1971, and the number of cases filed for civil conciliation during the preceding 10 years was in excess of 50,000 per year. On the other hand, the conducting of civil conciliation during 1971 resulted in approximately 31,000 cases (59.5%) of settlement, 11,000 cases (21.1%) of rupture and approximately 9,000 cases (17.9%) of withdrawal. In case the number of conciliations applied for, with respect to domestic relations, is added to the abovementioned approximately 50,000 cases of civil conciliation per year, a total number of applications for conciliation is equivalent to more than 70 percent of civil cases accepted by the courts yearly. The average period of proceedings of civil conciliation was 5.1 months. 78% of the total cases were carried out within 6 months. If the time for proceedings is extended to one year, the percentage of the cases brought to a conclusion reaches 92.1%. Those cases which required proceedings for more than 2 years were only 2.3%. The reply submitted by the Tentative Council for Conciliation System states in its conclusion as follows:

"Civil conciliation, since its inauguration 50 years ago, has been playing an important role in settling in a peaceful manner various personal disputes of respective social backgrounds, in accordance with the needs of the times. Judging from the above facts, however, the function of the current system, as expected by the general public, is considered to be to achieve in a simple and prompt manner protection of rights through voluntary

actions rather than to settle disputes without recourse to law. This tendency is anticipated to increase in the future. Thus, in order to cope with the increase in disputes involving the complexity of the times such as increasing traffic accidents, public pollution etc., the introduction of technical knowledge or improvement in the procedure according to the specific features of the cases is specifically considered necessary. In case substantial improvement is made in the conciliation system in response to the recent trend in conciliation cases, the civil conciliation system is expected to play a more important role in maintaining order of civil law, supplementing the civil suit system."

In considering the function and object of the conciliation system it is highly noteworthy that the reply emphasized, as a function expected by the general public of the conciliation system, simple and speedy achievement in protecting rights by conciliation which is a voluntary method of settlement, based upon mutual agreement of the parties involved.

I shall refer to this point later, but the above fact that quite a large percentage of the civil disputes are settled by conciliation, indicates that a method called conciliation plays an important role in settlement of civil disputes.

As mentioned above, the actual settlements in civil disputes indicate that judgement is not the only means of settlement in principle, but compromise also plays an important part in settling the dispute as the number of cases settled by compromise exceeds that of judgements. Judging from the above reality, it can be said that the civil disputes are settled in the courts by either one of the three means, namely, judgement, compromise and conciliation.

Professor Mikazuki of Tokyo University states in one of his books as follows:

"Judgement, as a method to settle a personal dispute, is a method deemed to be a sort of last resort and is not the one and only indispensable method in principle".

As the professor pointed out, actual legal disputes related to civil affairs are not handled under the sole assumption that such disputes should be settled in the court by judgement.

There is another procedure set forth in the Code of Civil Procedure in Japan. This is arbitration as set forth in Articles 786 to 805 of the Code of Civil Procedure. In case of international contracts related to industrial property, there is usually a clause for arbitration and recently, cases of seeking settlement of disputes by arbitration are increasing. However, utilization of the arbitration system in Japan is still very small in number as compared with settlement by judgement, compromise or conciliation. Except for the case of Japan Shipping Exchange in Kobe where disputes related to marine affairs are arbitrated, it is very rare that the arbitration system is used for settlement of civil disputes among the parties in Japan. This is quite different from the situation in Europe and America.

Before proceeding with my study, I should like to explain to you briefly about compromise, conciliation and arbitration as stipulated in Japanese law.

According to Japanese law, compromise is divided into two categories. One is compromise reached out of court, as stipulated in Articles 695 and 696 of the Civil Code, and the other is compromise made before the court, which I have referred to before. The difference between the compromise reached out of court and the compromise made before the court is, roughly speaking, as follows: Compromise made before the court is participated in by judges whereas compromise reached out of court is not participated in by judges. In case of compromise made before the court, a deed of conciliation will have the same effect as that of a final and conclusive judgement of a Court of Justice, based upon which compulsory execution can be levied; whereas, in case of compromise reached out of court, there is no established form and even if a document is prepared, such a document will not have the effect of a deed of conciliation made before the court. Be that as it may, both types of compromise are a contract, the object of which is to settle the dispute by mutual concessions as stipulated in Article 695 of the Civil Code which reads as follows:

"A compromise is formed when the parties agree to terminate a dispute between them by mutual concessions."

Since compromise is a contract which is reached by mutual concessions and by acknowledging disadvantages mutually, the object is not to investigate what is right and to settle the dispute based upon the findings as seen in the case of a trial by a Court of Justice. The fact that compromise has a binding effect on the parties is derived from the basic principle that a contract is a contract and should be abided by. The fact that a compromise made before the court has the same effect as that of a final and conclusive judgement is considered to be attributable to the fact that judges have participated in reaching the said compromise.

Conciliation can be classified in a similar manner as compromise, namely into conciliation participated in by the court and conciliation made by organizations other than the court. Conciliation participated in by the court is further classified into civil conciliation and conciliation on domestic relations, as stipulated by the Civil Conciliation Act and Domestic Causes Inquiries Act respectively.

Examples of conciliation made by other organizations than the court are conciliation made by Japan Commercial Arbitration Association, which is an auxiliary organ of the Japan Chamber of Commerce, and conciliation conducted by International Chamber of Commerce according to Rules of Conciliation and Arbitration. Conciliation offered by a conciliatory organ of Pacific Industrial Property Association is also one of them.

According to the Civil Conciliation Act, conciliation is carried out by a conciliating committee consisting of one principal, a conciliating judge and two committee members who are not judges. Thus the civil conciliation differs from compromise made before the court in that the former is carried

out by a conciliating committee whereas the latter is participated in by judges only. Although there are many different opinions as to what is the difference between compromise and conciliation or what is common between the two, the general tendency is to study this problem from view-points of Article 1 of the Civil Conciliation Act and the composition of the above-mentioned conciliating committee.

Article 1 of the Civil Conciliation Act stipulates the object of this law as follows:

"The object of this law is to attempt a settlement which stands to reason and yet conforms to the actual circumstances, by mutual concessions of the parties concerned."

"Mutual concessions by the parties concerned" is also the principle of the abovementioned compromise. However, in case of conciliation, additional object of "attempting a settlement which stands to reason and yet conforms to the actual circumstances" is contained. Conciliation differs from compromise in this point and, therefore, is participated in by a conciliating committee which is comprised of members other than judge.

Professor Noboru Koyama of Hokkaido University states as follows:

"In a lawsuit where the dispute is to be settled according to laws and regulations, the most important matter is to find the facts as required by stipulations of laws and regulations; and the facts alone are helpful in solving the dispute. However, there are cases where active application of laws and regulations may result in lack of appropriatness in view of the actual circumstances. What enables judges to make a concretely appropriate settlement which accomplishes the object, is consistancy with reason. Judgement by reason is coordinated logical judgement based upon 'ex aequo et bono.' From juridicial point of view if the parties involved in a lawsuit so desire, settlement according to 'ex aequo et bono' principle should not be denied. In case the parties reach an agreement in accordance with the above legal reason, thus ending the dispute, this is conciliation. Thus conciliation should stand to reason."

Professor Akira Mikazuki of Tokyo University also states as follows:

"Conciliation takes advantage of the merit of compromise that a settlement is reached by mutual consent of the parties to the dispute, yet, in order to avoid possible defect, the third party is called in for mediation. Therefore, as long as the dispute is settled by free will of the parties involved, conciliation is a complete form."

In the light of the above opinions, "attempt for a settlement which stands to reason and yet conforms to the actual circumstances", as stipulated in Article 1 of the Laws of Civil Conciliation, is more essential requirement to conciliation than "mutual concessions by the parties concerned." "Mutual concessions" is thus considered to be a process required to attain the essential object of conciliation.

Both compromise and conciliation are methods to settle the dispute by mutual consent of the parties but in case of compromise, its effectiveness cannot be denied as long as such mutual agreement does not contain illegality although it may lack appropriateness in view of the actual circumstances.

In case of conciliation, however, even if the mutual agreement is reached by the parties to the dispute, the coming into existance of conciliation will not be recognized by the conciliating committee unless the contents of the mutual agreement are considered to stand with reason and conform to the actual circumstances. The conciliating committee is considered to be obligated to endeavour to bring about such an agreement.

I should like to explain further about arbitration. As explained before, arbitration is another device to settle a dispute as stipulated in Articles 786 to 805 of the Code of Civil Procedure. Arbitration is a contract whereby the parties agree to entrust settlement of a dispute to a third party called arbitrator, and to accept whatever judgement made by the arbitrator. As I mentioned previously in connection with conciliation, arbitration is also undertaken by Japan Commercial Arbitration Association, Japan Shipping exchange, or other arbitration organizations such as the organ established by Internation Chamber of Commerce. According to Article 800 of the Code of Civil Procedure, the document stating the arbitration award prepared by the arbitrator will be bestowed with the same effectiveness as that of a final and conclusive judgement, which enables to effect compulsory execution. The judicial precedents indicate that the arbitration awards made in foreign countries are also recognized in Japan.

Professor Kitagawa states as follows:

"Arbitration requires mutual concessions more than the cases of settlement in the court. The parties are required to accept the proposal for compromise or conciliation. Using an extreme argument, the ideal of arbitration is to withdraw the appeal by mutual consent or to reach compromise without going as far as arbitration award."

Therefore, arbitration can be function-wise classified into the same group as that of compromise and conciliation.

As explained in the beginning of this study, the civil disputes, as submitted for a trial before the court, are actually not always settled by judgements but compromise and conciliation play an important role in the settlement of disputes along with judgement. Then, how to evaluate the current situation? In this respect, Judge Haruo Nakamura once stated as follows:

"Trial is, by nature, of a character of manual trade and is not capable of mass production. Large scale production methods such as seen in modern industry, cannot be applied. As to the disputes which may arise in large number and need to be settled more or less mechanically in large quantity, it is necessary to avoid bringing these cases automatically before the courts which process the case in a similar manner to precision work. Consideration should be given firstly

to seeking other methods of settlement and, only if and when satisfactory settlement is not obtainable, then these cases can be brought before the courts.

The same treatment should be applied for disputes which involve problems requiring diversified investigations of extremely large scale or highly professional technical knowledge. Instead of appealing to a court directly, other effective processings, organizations for settlement or procedures should be attempted first, and, appeal to a court should be limited to those cases for which the only possible settlement is considered to be through the court, thus rationalizing the burden of the courts."

Asst. Professor Rokumoto states as follows:

"It is obvious that the ability of the courts in processing the trials is limited. From the view-point of maintaining legal order, it is not desirable that all the cases are submitted to a trial by the court. Unlimited increase in the number of cases appealed to the court may constitute by itself a factor for hindering the maintenance of legal order of a higher grade. In other words, the excessive burden of the courts may cause problems of delay in settlement and deterioration in the quality of such settlement. If it is desired that only a limited number of cases should be brought before the courts, the truly important problem is the extent of legal stipulations which govern the process for settlement outside the court. The aim of the various legal systems is, first of all, to materialize legal settlement within the courts to the maximum extent, but such legal systems also attempt as much legal settlement as possible outside the courts. In other words, it is expected that the handling of the cases by the courts exerts influence on the settlement of cases outside the courts in a more or less remote-contol manner."

Facing the reality of the trial system, one can hardly expect that all the legal disputes in civil affairs will be settled by the courts. Judgements rendered by the courts, if appropriate and reasonable, should be applied to civil disputes, which are not laid before the court, in anticipation for appropriate and concretely reasonably settlement. This is the desirable state of affairs judging from the reality of operations of the trial system.

With respect to cases involving industrial property rights, Tokyo District Court and Osaka District Court established a special department to handle cases of industrial property rights. Some of the judgements rendered by these special departments shed light upon the problems for which hitherto no unified interpretation on the Patent Law of Japan existed. Such judgements by the courts established precedents for the settlements of many other cases yet to be appealed to the court. However, the long period of time necessary for a party to obtain a judgement reduces the value of such a judgement as a means to settle the dispute concretely.

Trials on patent disputes require highly technical professional knowledge and, therefore, in order to satisfy the conditions of just procedure and just conclusion, as required in the civil trials, much more time is needed for the trial than ordinary civil cases. Contradiction between the two basic requisites of trial, namely, speediness and justice, emerges most conspicuously in the

trials of industrial property rights.

As mentioned before, a considerable number of ordinary civil disputes are settled by methods other than judgement, such as civil conciliation. However, in case of disputes involving industrial property rights, understanding of the case and preparation of proposal for conciliation requires highly technical and professional knowledge which is beyond the capability of present-day conciliation committees for civil affairs. Thus, utilization of the civil conciliation system is almost nil and, if and when there is no prospect for settlement through the negotiations of the parties, the only way left for the settlement is to lay the case before the court. This is the reality at present.

Taking as an example the cases of infringements which are typical of the disputes concerning industrial property rights, there are not many judgements rendered by Higher Courts not to mention those of the Supreme Court. This is attributable to the fact that many infringement cases are settled by compromise while the cases are still under trial by the Higher Courts. The above fact indicates that the disputes over industrial property rights are of such a nature that it is possible to seek settlement through compromise or conciliation in lieu of trial.

In the eyes of the Code of Civil Procedure, compromise should be initiated at the volition of the parties, even during the trial. In other words, volition of the parties for independent settlement forms the basis of compromise. However, in case of a dispute over infringement of an industrial property right, the property owner initiates the lawsuit from the standpoint that infringement exists, whereas the defendant maintains the position that his act does not constitute infringement. Since compromise has to be reached from both extremes, it is obviously very difficult to reach compromise based solely upon volition of the parties for independent settlement. To make the matter worse, there are many areas where legal opinions as to interpretation of the Patent Law are yet to be coordinated or where judgements rendered by the courts failed to cover.

Furthermore, the same judge who is to propose a compromise plan will, in principle, participate also in making a judgement in case an attempt for compromise fails. Since it may be possible for the parties to the dispute to fairly well deduce from the compromise plan what the judgement at a later date will be, it is extremely difficult for the judge to take the initiative and reveal what he thinks is the most reasonable compromise plan for the settlement of the dispute. This situation may explain why compromise is seldom reached in the first instance of lawsuits involving industrial property rights.

Conciliation is based upon the same principle of compromise but the third party, if any appropriate person is available, mediates from a fair point of view and free from the consideration which a judge must exert in case of compromise as explained above. Therefore, conciliation can be said to be a better method than compromise in solving a dispute voluntarily.

Asst. Professor Miyuka Ohara of Municipal Foreign Language Institute of Kobe states in his article in reference to the conciliatory activity of P.I.P.A.

published in the magazine "Judicial Affairs in International Commerce", No. 7, Vol. 3 as follows:

"This conciliatory organ is an epoch-making attempt to settle this kind of complicated dispute", and also "It is hoped that the conciliation service offered by P.I.P.A. will become more in general use."

Whether or not such anticipation will be realized depends upon the ability and activeness of conciliators within the conciliatory organization of P.I.P.A.

The majority of criticism against the conventional civil conciliation has been directed toward the fact that conciliators did not conduct a full fact-finding investigation but drew a conclusion merely based upon statements of both parties, or in short, the fact-finding activity was rather passive. Other criticism was that, whereas the parties expected that the conciliator would indicate an appropriate judgement to be derived from reasonable grounds, he in many cases placed emphasis on demanding mutual concession on a compromise plan merely derived from the claims of both parties, or in other words, he was quite passive in expressing his own judgement. This phenomenon is considered to be attributable to the fact that sufficient efforts were not made for fact-finding. If the role of a conciliator is merely to transmit the viewpoint of a party to the other as an intermediary, the original meaning of conciliation will be obviously lost, which is to inherit the merit of the compromise system and yet to compliment its defects.

In order for the conciliatory organ of P.I.P.A. to meet the expectation and exert fully its function of settling disputes, appropriate adaptation to the above-mentioned situation would be necessary. Thought should be given anew to the intent of Article 1 of the Code of Civil Procedure that the object of conciliation is to attempt a settlement which stands to reason and yet conforms to the actual circumstances.